

The Google Book Settlement As Copyright Reform

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Abstract

An intriguing way to view the proposed settlement of the copyright litigation over the Google Book Search (GBS) Project is as a mechanism through which to achieve copyright reform that Congress has not yet and may never be willing to do. The settlement would, in effect, give Google a compulsory license to commercialize millions of out-of-print books, including those that are “orphans” (that is, books whose rights holders cannot readily be located), establish a revenue-sharing arrangement as to these books, authorize the creation of an institutional subscription database that would be licensed to libraries and other entities, resolve disputes between authors and publishers over who owns copyrights in electronic versions of their books, provide a safe harbor for Google for any mistakes it might make in good faith as to whether books are in the public domain or in-copyright, and immunize libraries from secondary liability for providing books to Google for GBS, among other things.

This Article explains why certain features of U.S. law, particularly copyright law, may have contributed to Google’s willingness to undertake the GBS project in the first place and later to its motivation to settle the *Authors Guild* lawsuit. It then demonstrates that the proposed settlement would indeed achieve a measure of copyright reform that Congress would find difficult to accomplish. Some of this reform may be in the public interest. It also considers whether the quasi-legislative nature of the GBS settlement is merely an interesting side effect of the agreement or an additional reason in favor or against approval of this settlement.

The Google Book Settlement As Copyright Reform

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Introduction

Google has proposed to settle a lawsuit charging it with copyright infringement for scanning of millions of in-copyright books through an agreement that would transform the firm's current snippet-providing Google Book Search (GBS) service into an online bookstore and subscription service.¹ Google negotiated this settlement with representatives of the Authors Guild, who purported to be acting on behalf of a class of all authors holding U.S. copyright interests in one or more books that are or may be in the GBS corpus, and with representatives of the Association of American Publishers (AAP), who purported to be acting on behalf of a class of all publishers holding the same interests.² A federal judge held a hearing in February 2010 about whether the settlement

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¹ See Settlement Agreement, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Oct. 28, 2008), available at <http://www.googlebooksettlement.com/intl/en/Settlement-Agreement.pdf> ["SA"]; Amended Settlement Agreement, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (DC) (S.D.N.Y. Nov. 13, 2009), available at http://thepublicindex.org/docs/amended_settlement/amended_settlement.pdf ["ASA"].

² The Settlement Agreement defined the class in § 1.13 as "all persons that as of January 5, 2009, have a copyright interest in one or more Books or Inserts," although Google and its executives, employees and board members are excluded. Because of international treaty obligations, the original settlement class included virtually every owner of book and insert copyrights in the world. See, e.g., SAM RICKETSON & JANE C. GINSBURG, BERNE CONVENTION AND BEYOND: INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS AGREEMENTS FROM 1886 TO THE PRESENT § 6.89 (2d Ed. 2006). A large number of foreign publishers and authors, as well as from the governments of France and Germany, objected to the inclusion of foreign books in the settlement. See, e.g., Objection of Harrassowitz, et al., Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Aug. 31, 2009), available at <http://thepublicindex.org/docs/objections/harrassowitz.pdf>; Memorandum of Law in Opposition to the Settlement Agreement on Behalf of the Republic of France, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Aug. 31, 2009), available at http://thepublicindex.org/docs/letters/french_republic.pdf; Memorandum of Law in Opposition to the Amended Settlement Agreement on Behalf of the Republic of Germany, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Germany_objection.pdf. Seemingly in response to these objections, the parties amended the settlement in a manner that seemingly narrows the scope of the class considerably. See ASA, §§ 1.13 (definition of "amended settlement class"), 1.19 (definition of "Book"). The scope of the class will be discussed at greater length *infra* notes xx and accompanying text. The Authors Guild and the AAP are identified as associational plaintiffs in the *Authors Guild* case. See *id.*, § 1.15. Representatives of these two associations were active participants in the negotiations leading up to the settlement agreement announced on October 28, 2008. For the sake of simplicity, this article will focus on how the settlement will affect owners of copyrights in books; it will give relatively little attention to the interests of owners of copyrights in inserts (e.g., separately authored book chapters in edited volumes or forewords written by other than the author of the book), although these interests are quite important and the interests of these copyright owners are in some important respects different than the interests of book copyright owners. For example, owners of copyrights in inserts may not receive more than \$500 total for

is “fair, reasonable, and adequate” to the class on whose behalf it was negotiated.³ A ruling on the settlement is expected in the near future.

An intriguing way to view the GBS settlement is as a mechanism through which to achieve copyright reform that Congress has not yet and may never be willing to do.⁴ The settlement would, in effect, give Google a compulsory license to commercialize millions of out-of-print books, including those that are “orphans” (that is, books whose rights holders cannot readily be located),⁵ establish a revenue-sharing arrangement as to these books, authorize the creation of an institutional subscription database (ISD) that would be licensed to libraries and other entities, resolve disputes between authors and publishers over who owns copyrights in electronic versions of their books, provide a safe harbor for Google for any mistakes it might make in good faith as to whether books are in the public domain or in-copyright, and immunize libraries from secondary liability for providing books to Google for GBS, among other things.⁶

Part I explains why certain features of U.S. law, particularly copyright law, may have contributed to Google’s willingness to undertake the GBS project in the first place and later to its motivation to settle the *Authors Guild* lawsuit. Part II demonstrates that the

Google’s commercialization of their inserts. *See id.*, Att. C, § 1.2 (a), (b), (h). See Objections of Arlo Guthrie et al. to the Proposed Settlement Agreement at 21-22, *Authors Guild, Inc. v. Google, Inc.*, No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 2, 2009), available at <http://thepublicindex.org/docs/objections/guthrie.pdf>.

³ A fairness hearing is required by Federal Rules of Civil Procedure, Rule 23 (before approving a class action settlement, a court must hold a hearing to determine whether the proposed settlement is “fair, reasonable, and adequate” to the class on whose behalf it was negotiated and that other Rule 23 requirements have been met). The fairness hearing on the GBS settlement was held February 18, 2010. *See* Transcript of Fairness Hearing, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Feb. 18, 2010), available at http://thepublicindex.org/docs/case_order/fairness-hearing-transcript.pdf. For a scholarly discussion of the pros and cons of the GBS settlement, *see, e.g.*, Jonathan Band, *The Long and Winding Road to the Google Books Settlement*, 27 JOHN MARSHALL REV. INTELL. PROP. L. 227, 229 (2009); James Grimmelmann, *The Elephantine Google Books Settlement*, Buffalo Intell. Prop. L. J. (forthcoming 2010); James Grimmelmann, *The Google Book Search Settlement: Ends, Means, and the Future of Books* at 10-11, Am. Const. Soc’y for L. & Pol’y, April 2009, available at http://works.bepress.com/cgi/viewcontent.cgi?article=1024&context=james_grimmelmann; Matthew Sag, *The Google Book Settlement and the Fair Use Counterfactual*, 55 N.Y.L.S. L. Rev. xx (2010); Pamela Samuelson, *Google Book Search and the Future of Books in Cyberspace*, 94 Minn. L. Rev. 1308 (2010). Much of the scholarly commentary about the GBS settlement has focused on antitrust issues. *See, e.g.*, Einer Elhauge, *Why the Google Book Settlement is Pro-competitive*, 2(1) J. LEGAL ANALYSIS 1 (2010); Randal C. Picker, *The Google Book Search Settlement: A New Orphan Works Monopoly?*, 5 J. COMPET. L. & ECON. 383 (2009).

⁴ This intriguing idea was first planted in my mind by Dan Clancy, then the Engineering Director of the GBS Project, when he was trying to persuade me to support the proposed settlement. The gist of his argument was that the settlement was the only way to free up access to digital copies of millions of out-of-print books because Congress was dysfunctional in dealing with copyright issues. It was a clever opening gambit because although Clancy and I had not previously met, he had obviously been advised by those who knew me that this pitch would be appealing for two reasons: first, because I would likely share his skepticism about Congress as an instrument of public interest-oriented, forward-looking copyright policy, and second, because as an academic, I could be expected to want Google to be able to offer greater access to books through GBS, and thus on a purely utilitarian calculus, I would likely come down in favor of the settlement.

⁵ Orphan works are discussed infra notes xx and accompanying text.

⁶ These reforms will be discussed at length in Part II.

proposed settlement would indeed achieve a measure of copyright reform that Congress would find difficult to accomplish. Some of this reform may be in the public interest. Part III considers whether the quasi-legislative nature of the GBS settlement is merely an interesting side effect of the agreement or an additional reason in favor or against approval of this settlement. Certain Supreme Court precedents suggest that reforms as extensive as those embodied in the GBS settlement are inappropriate for resolution through a class action settlement.⁷

I. Certain Unusual Features of U.S. Laws Contributed to the GBS Project and to the Settlement

This section considers some aspects of U.S. law, particularly copyright law, that may have contributed to Google's willingness to undertake the GBS initiative and risk copyright infringement lawsuits,⁸ as well as some features of copyright law that made settlement of the lawsuit particularly attractive both for Google and for the plaintiffs.

A. State University Immunity from Copyright Damages Contributed to GBS

Google's scanning of in-copyright books from the collections of major research libraries, such as the University of Michigan, might never have gotten started but for certain rulings by the U.S. Supreme Court interpreting the Eleventh Amendment to the U.S. Constitution.⁹ This Amendment provides: "The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State."¹⁰ The Supreme Court has construed this amendment as intended to confer sovereign immunity from lawsuits seeking damages, including in intellectual property law cases, against state-related entities.¹¹ Scholarly criticisms of the Court's Eleventh

⁷ Part III concentrates on the Court's decision in *Amchem Products, Inc. v. Windsor*, 521 U.S. 591 (1997). It builds on points previously made in Pamela Samuelson, *Is the Google Book Settlement an Abuse of Class Actions?*, THE NATION (Nov. 23, 2009).

⁸ See Class Action Complaint, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (S.D.N.Y. Sept. 20, 2005); Complaint, *McGraw Hill Co. v. Google, Inc.*, Case No. 05 CV 8881 (S.D.N.Y. Oct. 19, 2005). For the sake of simplicity the remainder of this article will refer only to the *Authors Guild* lawsuit, in part because the GBS settlement proposes to meld the publisher lawsuit into the *Authors Guild* case under which there is an Author Subclass and a Publisher Subclass.

⁹ See, e.g., *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996) (striking down federal statute that required states to negotiate with Indian tribes over gaming); *Alden v. Maine*, 527 U.S. 706 (1999) (Congress lacks power to abrogate state sovereign immunity for lawsuits seeking damages).

¹⁰ U.S. Constitution, 11th Amendment.

¹¹ See, e.g., *Florida PrePaid Post-Secondary Educ. Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999) (state entity can raise 11th Amendment sovereign immunity as defense to patent infringement claims). State officials can, however, be enjoined from violations of law. *Ex Parte Young*, 209 U.S. 123 (1908). This applies to copyright infringement claims. See, e.g., *Salerno v. City Univ. of N.Y.*, 191 F. Supp.2d 352 (S.D.N.Y. 2001). It may also be possible to sue individual state employees for damages for illegal acts done on behalf of their employers. See, e.g., Jesse H. Choper & John C. Yoo, *Who's Afraid of the Eleventh Amendment? The Limited Impact of the Court's Sovereign Immunity Rulings*, 106 Colum. L. Rev. 213, 225-26 (2006).

Amendment jurisprudence have thus far not shaken the Court's conviction that its interpretation of that amendment is sound.¹²

In keeping with the Supreme Court's Eleventh Amendment rulings, some courts have held that state universities cannot be found liable in damages for infringement of copyrights.¹³ These courts have also questioned whether Congress can override the state sovereign immunity norm even when evidence exists that state actors are engaged in or contributing to ongoing infringement.¹⁴

The Court's Eleventh Amendment jurisprudence seemingly emboldened the University of Michigan and other state universities (e.g., the Universities of California, Texas and Wisconsin) to make deals with Google to scan millions of books from their vast collections,¹⁵ including in-copyright books. They could do so with reasonable assurance that the worst that could befall the libraries for providing Google with books to scan—an act which the libraries and Google hoped would be deemed fair use if tested in the courts—was an injunction against supplying additional books to Google for scanning and perhaps against uses of any library digital copy (LDC) that Google might supply to these libraries under library partner program contracts.¹⁶

Michigan, for example, offered Google the opportunity to scan nearly eight million books in its collection.¹⁷ The University of California has committed to supplying Google with 2.5 million books.¹⁸ Other state universities have made similar, albeit sometimes more modest, deals.¹⁹ Private university partners have, however, been more circumspect. Harvard and Stanford, for example, have generally supplied only public domain books for GBS, in part because these institutions did not want to risk copyright liability that might diminish the large endowments on which they depend.²⁰

¹² See, e.g., Erwin Chemerinsky, *Against Sovereign Immunity*, 53 Stan. L. Rev. 1201 (2001); Vicki C. Jackson, *Principle and Compromise in Constitutional Adjudication: The Eleventh Amendment and State Sovereign Immunity*, 75 Notre Dame L. Rev. 953 (2000); Mitchell N. Berman et al., *State Accountability for Violations of Intellectual Property Rights: How to "Fix" Florida Prepaid (and How Not to)*, 79 Texas L. Rev. 1037 (2001).

¹³ See, e.g., *Chavez v. Arte Publico Press*, 204 F.3d 601, 603 (5th Cir. 2000) (University of Houston has 11th Amendment immunity from damage liability for copyright infringement).

¹⁴ *Id.* at 604-07.

¹⁵ Copies of several contracts between Google and its library partners can be found at <http://thepublicindex.org/documents/libraries/>.

¹⁶ This term is defined in the ASA as "the set (or portion thereof) of all Digital Copies of Books in a Fully Participating Library's Collection, which Digital Copies are made by copying the Library Scan...and which Google provides to the Fully Participating Library." ASA, § 1.81. The ASA also sets forth certain procedures by which a library can become a Fully Participating Library in § 7.1 and Att. B.

¹⁷ See Letter from Paul Courant to Judge Denny Chin at 1, *Authors Guild, Inc. v. Google, Inc.*, No. 05 CV 8136 (S.D.N.Y. Sept. 4, 2009), available at <http://thepublicindex.org/docs/letters/Courant.pdf> ("Courant Letter").

¹⁸ See Cooperative Agreement Between Google, Inc. and the Regents of the Univ. of Calif., § 2.2, available at <http://thepublicindex.org/docs/libraries/california.pdf>.

¹⁹ Cooperative agreements between Google and the Universities of Texas, Virginia, and Wisconsin are also available at <http://thepublicindex.org/docs/libraries/>.

²⁰ See, e.g., Jeffrey Toobin, *Google's Moon Shot*, NEW YORKER, Feb. 5, 2007, available at http://www.newyorker.com/reporting/2007/02/05/070205fa_fact_toobin?currentPage=1.

Google has been making public domain copies of books in the GBS corpus freely available for downloading.²¹ It also serves up “snippets” (a small number of words to show the context in which a relevant term appeared) of the contents of in-copyright books in response to user queries. Google provides links to sites from which the books can be borrowed or purchased. Libraries benefit because the links facilitate better access to books in their collections; publishers and authors also benefit insofar as some users choose to buy copies of the books rather than to borrow them.²²

If one favors the development of a digital corpus of books such as GBS, one might well applaud, rather than denounce, the Eleventh Amendment immunity jurisprudence that gave Michigan and other state universities confidence that they could authorize Google to scan books in their collections and not face huge damage liability for doing so.

Publishers are aware that the Eleventh Amendment is an impediment to lawsuits against state universities libraries.²³ Without this immunity, state universities could be charged with contributory infringement for supplying Google with millions of in-copyright books for GBS and for uses made of the Library Digital Copies (LDCs) that Google is supplying to its library partners of books from their collections.²⁴

B. Certain Fair Use Rulings Contributed to GBS

The United States is one of the very few countries in the world with a broadly applicable fair use doctrine that limits the scope of copyright protection.²⁵ Even if a person has engaged in unauthorized acts that implicate exclusive rights granted to copyright owners, a use that is “fair” is not an infringement.²⁶ Four factors are used in judging the fairness of a use: the purpose of the use, the nature of the copyrighted work, the amount and substantiality of the taking, and the harm the use may cause to the market for the protected work.²⁷ Criticism, comment, news reporting, teaching, scholarship, and research are among the favored purposes, although courts have not limited fair use to

²¹ Google is not claiming copyright in its digitized version of these books, and indeed it could not do so because the digitized copies do not exhibit the modicum of creativity required to support a copyright. *See, e.g.,* *Bridgeman Art Library v. Corel Corp.* 36 F. Supp. 2d 191 (S.D.N.Y. 1999). However, Google has watermarked the digitized books and instructs users to make only noncommercial uses of these books and to maintain Google’s watermarks.

²² By linking to bookstores, GBS was facilitating user purchases of books, suggesting that the snippet service would enhance the market for books, not harm it, and help Google’s fair use defense.

²³ Conversation with John Sargent, President of MacMillan Books, Aug. 12, 2009.

²⁴ ASA, § 7.2(a).

²⁵ *See, e.g.,* Ruth Okediji, *Toward an International Fair Use Doctrine*, 39 Colum. J. Transn’l L. 75, 87 (2000). Under other nation’s copyright laws, Google’s scanning books would most likely be found to infringe copyrights. *See, e.g.,* Lance Whitney, *Google Loses French Copyright Case*, CNET, Dec. 18, 2009, available at http://news.cnet.com/8301-1023_3-10418319-93.html (scanning books for GBS infringes French rights holders’ copyrights).

²⁶ 17 U.S.C. § 107.

²⁷ *Id.*

only these purposes.²⁸ Also relevant is whether the use is for commercial or non-profit educational purposes.

At first blush, Google's fair use defense for scanning millions of in-copyright books seems implausible.²⁹ Google's use can be viewed as commercial.³⁰ The books are chock full of protected expression. Whole works are being copied on a systematic basis. And even if harm can no longer be presumed from an unauthorized use,³¹ some harm might flow from Google's use of the books (e.g., its servers could be hacked and the books could then circulate freely around the Internet) and digitization of books for snippet-providing purposes might be a new licensing market which GBS is undermining.³²

However, Google had reason to think that digitizing in-copyright books for purposes of indexing their contents and providing snippets might well be fair use after an important appellate court decision, *Kelly v. Arriba Soft Corp.*,³³ rendered in 2002. *Kelly* upheld a search engine's fair use defense for making copies of other people's content to facilitate better access to it on the Internet. This was a novel fair use ruling, one that some copyright traditionalists find difficult to accept or hope will not be expansively interpreted.³⁴

Arriba Soft operated a search engine for images. It used web-crawling software to copy images from open sites on the Internet. It then made thumbnail-size copies to serve up in response to user queries (e.g., photos of the Grand Canyon).³⁵ It also provided links to sites where the full-size images could be found. Kelly, a commercial photographer, sued Arriba Soft after he discovered that it was publicly displaying thumbnails of various photographs of the American West that Kelly had posted on his website.³⁶ He claimed that making thumbnail-size images of his photos without a license was infringement.³⁷

²⁸ *Id.*

²⁹ See, e.g., Robin Jeweler, *The Google Book Search Project: Is Online Indexing Fair Use?*, Congressional Research Service, available at <http://www.au.af.mil/au/awc/awcgate/crs/rs22356.pdf> (providing an overview of pro and con arguments).

³⁰ This is especially evident in the non-display uses Google is making of the books in the GBS corpus. See *infra* notes xx and accompanying text.

³¹ Until recently, it has been common for courts in copyright cases to presume harm from unauthorized commercial uses of protected works. However, the Second Circuit has recently ruled that this presumption of harm is inconsistent with Supreme Court case law. See *Salinger v. Colting*, xx F.3d xx (2d Cir. 2010).

³² See, e.g., Doug Lichtman, *Copyright as Information Policy: Google Book Search from a Law and Economics Perspective*, in *INNOVATION POLICY AND THE ECONOMY* (Josh Lerner & Scott Stern eds. 2008).

³³ 336 F.3d 811 (9th Cir. 2002).

³⁴ See, e.g., Jane C. Ginsburg, *How Copyright Got a Bad Name for Itself*, 26 *Colum. J. L. & Arts* 61, 72-73 (2002) (supporting the fair use ruling in *Kelly* but expressing concern about expansive interpretations).

³⁵ *Kelly*, 336 F.3d at 814-16.

³⁶ *Id.* at 815.

³⁷ Kelly apparently did not claim that copying done by the webcrawling software or in the database prior to making thumbnail-sized images were infringements, perhaps because these intermediate copies were likely be fair uses under *Sega Enter. Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992). Web-crawling and cache copying of copyrighted works were unsuccessfully challenged as infringements in *Field v. Google Inc.*, 412 F. Supp.2d 1106 (D. Nev. 2006), discussed *infra* notes xx and accompanying text.

The Ninth Circuit ruled that Arriba Soft had made fair use of Kelly's images. It characterized Arriba Soft's thumbnails as "transformative," in part because the thumbnails were smaller in size and of lower resolution than Kelly's full-sized images.³⁸ Arriba Soft's thumbnails also "served an entirely different function than Kelly's original images,"³⁹ because Arriba Soft had created the thumbnails "to improve access to information on the Internet," not to supplant demand for the aesthetic experience that Kelly's photos might evoke.⁴⁰

Although the photographs were creative works, it mattered that Kelly had published them on the open Internet. Moreover, "although Arriba Soft did copy each of Kelly's images as a whole, it... was necessary for Arriba Soft to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating web site."⁴¹ Because this search engine helped prospective purchasers find Kelly's photos,⁴² the court found unpersuasive Kelly's argument that Arriba Soft's use would harm the market for them.⁴³

Kelly augured well for Google's fair use defense in the *Authors Guild* case. Google, like Arriba Soft, was scanning works for purposes of facilitating better access to them. Copying of entire works was necessary to create an index to make the books more accessible. Google was, moreover, only displaying a small number of words ("snippets") from the books in response to user queries, akin to the thumbnails in *Kelly*, so there was very little risk of supplanting demand for the books themselves. Indeed, as in *Kelly*, Google could make a good argument that the links its search engine was providing to sites from which the works could be purchased would likely enhance the market for them.

Perfect10, Inc. v. Amazon.com is a second search engine fair use case that seems to support Google's defense in the *Authors Guild* case.⁴⁴ As in *Kelly*, the main issue in litigation was whether a search engine was liable for copyright infringement for displaying thumbnails of images in response to user queries. One key difference between *Kelly* and *Perfect10* was that the thumbnails in the latter case were of photographs posted on the Internet without the copyright owner's permission.⁴⁵ However, because Google had no way of knowing which images were infringing—at least not until *Perfect10* sent a proper notice-and-takedown request—the court regarded Google's fair use defense as

³⁸ *Kelly*, 336 F.3d at 818-19.

³⁹ *Id.* at 819.

⁴⁰ *Id.*

⁴¹ *Id.* at 821.

⁴² The Ninth Circuit also considered that Arriba's thumbnail images also lost clarity if someone tried to enlarge them, which is why they could not supplant demand for good resolution images which is an especially important feature of photographic images. Moreover, Kelly did not license or sell thumbnails, so the Arriba thumbnails were not displacing this market. *Id.*

⁴³ *Id.* at 821-22.

⁴⁴ 416 F. Supp.2d 828 (C.D. Cal. 2006), *aff'd* in part, *rev'd* in part, 508 F.3d 1146 (9th Cir. 2007).

⁴⁵ See, e.g., Timothy Lee, *Google v. Perfect10: Appeals Court Affirms that Thumbnails are Fair Use*, *Ars Technica*, May 17, 2007, available at <http://arstechnica.com/news.ars/post/20070517-google-v-perfect-10-appeals-court-affirms-that-thumbnails-are-fair-use.html>.

sound as Arriba Soft's.⁴⁶ The *Perfect10* decision gave Google reason to believe that the *Kelly* would not be limited to situations in which the copyright owner him- or herself had posted the content online.

A third search engine fair use case supporting Google's fair use defense in the *Authors Guild* case was *Field v. Google, Inc.*⁴⁷ Field charged Google with copyright infringement because Google's webcrawler software made copies of his writings, stored copies in caches, and showed snippets of his writings in response to user queries.⁴⁸ Google claimed these acts were fair use.⁴⁹

The court considered at length the positive purposes served by Google's web-crawling and caching activities, including its enablement of searches for access to content when the original page was inaccessible (e.g., the website's server was down), its use to detect changes in website content over time, and its utility in assessing why the site was responsive to the search query term.⁵⁰ As in *Kelly*, the court concluded that Google's copying was transformative because of the different functions that the copies served on Field's website, on the one hand, and Google cache copies, on the other.⁵¹ Also weighing in favor of fair use was Google's good faith in operating its system cache, including its willingness to take down any cached content upon receipt of notice of objection from its owner.⁵² The court also noted the exceptionally high transactions costs that Google would have to incur if it had to seek and obtain permission for every copy its web-crawlers made of Internet content.⁵³ There was, moreover, a simple technological fix available to Field if he didn't want his content to be web-crawled.⁵⁴

⁴⁶ *Perfect10* also argued that Google was interfering with a licensing market for thumbnails of its images and that Google's use of the images was commercially harmful because of revenues it made from the AdSense program. The Ninth Circuit regarded the harm evidence to be too speculative to change the fair use calculus. *Perfect10*, 508 F.3d at 1165-68.

⁴⁷ 412 F. Supp.2d 1106 (D. Nev. 2006). See also *Parker v. Google, Inc.*, 442 F. Supp.2d 492 (E.D. Pa. 2006), aff'd, 2007 WL 1989660 (3d Cir. 2007)(affirming dismissal of direct and indirect infringement claims for web-crawler copying of writings freely available on the Internet).

⁴⁸ Field sought \$2.55 million in statutory damages (\$50,000 per infringed work). *Field*, 412 F. Supp.2d at 1110.

⁴⁹ Google also argued there was no direct infringement by virtue of automated copying by its webcrawling and caching software, as well as raising an implied license and an estoppel defense. *Id.* at 1109. The court granted Google's summary judgment motion on all grounds. *Id.*

⁵⁰ *Id.* at 1118-19.

⁵¹ *Id.*

⁵² *Id.* at 1122-23.

⁵³ *Id.* at 1113. Field had created all fifty-one allegedly infringed writings in a three-day period before posting them on his website. *Id.* at 1114. A factor that ultimately weighed heavily against Field's copyright claims was the court's perception that he had "manufacture[d]" his claims of infringement "in the hopes of making money from Google's standard practice." *Id.* at 1113-14.

⁵⁴ Field knew that he could use a robots.txt file to signal that he did not want data on his site to be webcrawled and that he could ask Google not to supply cached links to his writings. *Id.* at 1113-14. Indeed, he created a robots.txt file that signaled that bots were allowed to copy his data. *Id.* at 1114.

Field helps Google's GBS fair use defense in several respects.⁵⁵ For one thing, the court in *Field* rejected the argument that a search engine's providing of snippets from copyrighted texts was infringement. Second, the court accepted that it was necessary for search engines to make copies of texts in order to make snippets available, and this supported its fair use defense. Third, the court also considered Google's willingness to remove content from its servers if copyright owners objected to its storage of this content as also cutting in favor of fair use. Fourth and perhaps most importantly, the court accepted that Google would have to incur unreasonably excessive transactions costs to clear rights to make copies of protected works for purposes of providing snippets to users of its search engine. The fact that Field might want to license Google's use of his works was not considered a cognizable harm to the market. Indeed, as in *Kelly*, the argument prevailed that Google was facilitating greater access to works, and that this might help rather than interfere with market opportunities for the copyright owner.⁵⁶

While none of these decisions was rendered in the Second Circuit, where the *Authors Guild* case is pending, they are consistent, well-reasoned, and written in reasonably broad language.⁵⁷ Some Second Circuit decisions have, moreover, cited the two appellate court decisions approvingly.⁵⁸ Without these precedents, Google might well have been somewhat more cautious about scanning in-copyright books from university libraries. The search engine fair use cases thus seem to be contributing factors to the GBS project.

The Authors Guild and the trade publishers who sued Google for infringement contest the fairness of scanning books to provide snippets.⁵⁹ If the GBS settlement is disapproved and the *Authors Guild* litigation resumes,⁶⁰ these parties can be expected to attack the soundness of the search engine fair use rulings or distinguish them from GBS. Some Second Circuit case law would seem to support their claims that Google's scanning of in-copyright books is not fair use. In *American Geophysical Union v. Texaco*, for instance, a majority of the Second Circuit panel held that photocopying of individual research articles from technical journals for research purposes was an unfair use, even though Texaco had paid for subscriptions to the journals.⁶¹ The court regarded the Texaco

⁵⁵ The *Amazon* and *Field* cases and their implications for GBS are analyzed in Matthew Sag, *Copyright and Copy-Reliant Technologies*, 103 Nw. U. L. Rev. 1607 (2009).

⁵⁶ See, e.g., Frank Pasquale, *Copyright in an Era of Information Overload*, 60 VAND. L. REV. 135 (2007); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009). A modest number of sentences the *Unbundling* article have been converted for this article.

⁵⁷ See, e.g., Hannibal Travis, *Google Book Search and Fair Use: iTunes for Authors or Napster for Books?*, 61 U. MIAMI L. REV. 601 (2006) (arguing that scanning books to index them is fair use).

⁵⁸ See, e.g., *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605 (2d Cir. 2006); *U.S. v. Am. Soc'y Composers, Authors & Pubrs.*, 599 F. Supp. 2d 415 (S.D.N.Y. 2009).

⁵⁹ See, e.g., Patricia Schroeder, *Google Cannot Rewrite U.S. Copyright Laws*, WALL ST. J., Oct. 25, 2005. Schroeder was at the time CEO of AAP. The Guild's hostility to GBS is evident from the lawsuit it filed against Google.

⁶⁰ The *Authors Guild* case is in very early stages of litigation. No depositions have been taken, for example, and the class has not been certified. Without class certification—which Google can be expected to contest vigorously—the Authors Guild may not be able to persuade its lawyers to continue the litigation, for they would face years of intensive litigation without the deep pockets that Google has. The trade publishers may also be disinclined from pursuing their lawsuit, as their books are in the GPP.

⁶¹ 60 F.3d 913 (2d Cir. 1994). The authors of articles published in the journals had typically assigned their copyrights to publishers as a condition of publication. The *Texaco* case is discussed at greater length infra

researcher's use to be commercial and consumptive in nature; it was being done on a systematic basis; and it was likely to harm to an emerging licensing market.⁶² Some seemingly more restrictive Second Circuit case law, along with the narrowness of the existing statutory library copying exceptions,⁶³ called into question Google's fair use defense.

Google's recognition its fair use defense was not a sure winner may have contributed to its receptivity when representatives of the Authors Guild and AAP approached it to suggest a settlement of the litigation that would allow Google not only to continue to scan books, but to commercialize them.⁶⁴

C. The Need for Updated Library Privileges

Libraries and archives are shielded from copyright liability for many acts by § 108 of the Copyright Act of 1976 (1976 Act). This long and complicated provision sets forth various circumstances and conditions under which these institutions can make and distribute copies of copyrighted works for specific purposes, such as preservation and replacement of damaged material.⁶⁵ Although § 108 was tweaked in 1998 as part of the Digital Millennium Copyright Act (DMCA),⁶⁶ there is general consensus that the provision needs to be updated in a more fundamental way now that digital technologies and networks have become more pervasive components of library and archival services and digital access to knowledge is becoming an increasingly predominant way for libraries and archives to serve their communities.⁶⁷

At present, § 108 does not contemplate that libraries can digitize all in-copyright books in their collections, even for preservation purposes, let alone make digital copies available to their patrons without permission from the copyright owners. Although a recent report

notes xx and accompanying text. *See also* UMG Recordings, Inc. v. MP3.com, 2000 WL 1262568 (S.D.N.Y. Sept. 6, 2000) (ruling against a fair use defense for a digital music service's creation of a database of sound recordings to facilitate access for to them by MP3.com subscribers who owned copies of specific recordings)

⁶² *Texaco*, 60 F.3d at xx.

⁶³ 17 U.S.C. § 108. This privilege is discussed infra notes xx and accompanying text.

⁶⁴ *See* Andrew Richard Albanese & Jim Milliot, *Richard Sarnoff: Publishers Weekly's Person of the Year*, *Publishers Weekly*, Dec. 7, 2009, available at <http://www.publishersweekly.com/articles/CA6710194.html>.

⁶⁵ 17 U.S.C. § 108. For a detailed overview of this provision and the values it embodies, *see, e.g.*, Laura N. Gasaway, *Values Conflict in the Digital Environment: Librarians Versus Copyright Holders*, *Colum. J. L. & Arts* 115 (2000).

⁶⁶ Section 404 of the DMCA allowed libraries and archives to make up to three copies of copyrighted materials, including digital copies, for traditionally privileged purposes instead of the one facsimile copy that the 1976 Act permitted.

⁶⁷ *See, e.g.*, Section 108 Study Group Report iii-x (March 2008) (recommending numerous changes to library and archival privileges), available at <http://www.section108.gov/docs/Sec108StudyGroupReport.pdf>. *See also* Pamela Samuelson et al., *The Copyright Principles Project: Directions for Reform*, 25 *Berkeley Technology L.J.* (forthcoming 2010) (recommending some updates to library and archival privilege).

on § 108 has urged that Congress expand the library exception in some respects,⁶⁸ it does not recommend allowing mass digitization of books in library collections or allowing broad public access to copies made for preservation purposes.⁶⁹

University libraries are very interested in having digital repositories of their books, as physical book collections take up valuable real estate on college campuses and are expensive to build and maintain. Because students are becoming increasingly used to having online access to works of authorship, physical libraries are visited less frequently now, and there is a real risk that the learning embodied in research library collections will become virtually invisible unless it can be made available online. Patrons are, moreover, demanding online access to books as well as other materials.⁷⁰

It seems unlikely, however, that Congress can be persuaded to amend § 108 to permit mass digitization projects by libraries, nor broad public access to digital copies of in-copyright works. The Authors Guild and AAP publishers would almost certainly oppose this, just as they have opposed the GBS initiative. In the modern era, it is difficult to enact copyright legislation without support of key copyright industry constituencies.

Google was able to attract major research libraries to be partners in GBS because it was willing to scan the books, give libraries LDC copies of them, and defend these acts as fair uses, in part because these libraries had reason to doubt that Congress would perceive the social benefit of mass digitization. The settlement is seemingly a win-win-win, for it will allow Google to recoup the costs of digitizing millions of books and to make all manner of nondisplay uses of them, it will allow authors and publishers to enjoy new revenue streams, and it will provide libraries with an ISD of millions of books that its patrons can use to do research.

D. The Need for Orphan Work Legislation

A daunting impediment to book digitization projects, whether undertaken by libraries, Google, or anyone else, is the prospect that a substantial number of in-copyright books, especially older books, will prove to be “orphans,” that is, works whose rights holders cannot be located through a reasonably diligent search.⁷¹ Although some rights holders

⁶⁸ The Section 108 Study Group recommends, for example, that libraries should be able to outsource some of their privileged uses to contractors and to make some preservation copies of texts. Section 108 Study, *supra* note xx, at iv-vii.

⁶⁹ Copyright is not, of course, the only impediment to university library digitization projects. Two others are the cost of digitization, estimated at roughly \$30 per book, and the cost of attempting to clear rights to digitize in-copyright books, which one source has estimated at roughly \$1000 per book. Band, *supra* note xx, at 229.

⁷⁰ See, e.g., Letter from Michael Heller to Judge Chin at 3, *Authors Guild, Inc. v. Google, Inc.*, No. 1:05 CV 8136 (DC) (S.D.N.Y. Aug. 8, 2009), available at <http://thepublicindex.org/docs/letters/Stanford%20Libraries.pdf> (“Heller Letter”). Many universities are making textual materials available through electronic reserves, although this practice is controversial with publishers. See, e.g., Gasaway, *supra* note xx, at 149-50.

⁷¹ See, e.g., Denise Troll Covey, *Analysis of Orphan Works in the Context of the Google Books Settlement* (on file with the author) (reporting the results of an effort to obtain copyright permission for a book digitization project undertaken at Carnegie Mellon University).

may be willing to allow digitization of their books,⁷² even successful searches for rights holders can be expensive.⁷³ No matter how much expense one incurs to find rights holders and how sure one may be that the rights holder cannot be found, it is risky under current law to digitize these books and make them available because of copyright constraints.

A significant contributing cause of the now well-recognized orphan works problem has been numerous copyright term extensions enacted by Congress in the past few decades.⁷⁴ Although the commercial life of most books is relatively short (i.e., they generally remain “in print” for fewer than five years),⁷⁵ copyright terms have become both significantly longer and more indefinite in duration.

When a university research library in 1960 bought books published that year for its collection, for example, it would have known that the books would likely be free of copyright constraints after 1998, for the copyright term at that time was 28 years.⁷⁶ While it was true that the book’s copyright owner could seek a second 28 year copyright term, he or she was unlikely to do so if the book was out-of-print for more than two decades. So the book would effectively be in the public domain after the first 28 year term expired.

However, the Copyright Act of 1976 (1976 Act) radically changed the approach to copyright duration and slowed considerably the flow of books into the public domain. For books published after 1977, copyrights no longer expire in the early 2000s, as they would have previously, because the 1976 Act granted authors and their heirs a copyright term that extended fifty years beyond the authors’ deaths.⁷⁷ This roughly tripled the effective life of most copyright terms.

The life + 50 years model also made the copyright duration considerably more uncertain. It is, for example, impossible to know when the copyright in a book published after 1977 will expire if the author is still alive when it is published, as his or her death date cannot be accurately predicted on the book’s title page.

A further copyright term extension in 1998 tacked on an additional twenty years post-mortem,⁷⁸ although libraries and archives persuaded Congress to mitigate this to some degree through an exception that allowed these institutions to copy works for preservation purposes and make them available to scholars and researchers, but only in

⁷² Twenty-seven percent of rights holders were willing to grant permission for CMU to digitize their books. *Id.* at 1. Another 23 percent were unwilling to give permission.

⁷³ Band, *supra* note xx, at 229 (estimating search costs for clearing rights to digitize books at \$1000 per book).

⁷⁴ See U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS (2006), available at <http://www.copyright.gov/orphan/orphan-report.pdf> (“Orphan Work Report”).

⁷⁵ TBA

⁷⁶ 17 U.S.C. § 23 (superseded).

⁷⁷ 17 U.S.C. § 302(a) (as enacted in 1976).

⁷⁸ Sonny Bono Copyright Term Extension Act of 1998, now codified in 17 U.S.C. § 302(a).

the last twenty years of their terms and only as long as copies of the books are no longer commercially available.⁷⁹

To ameliorate the orphan works problem, the U.S. Copyright Office has recommended legislation that would allow libraries, archives, and others to make free uses of in-copyright works as long as they have made a reasonably diligent search for the copyright owner.⁸⁰ Libraries have supported this legislation as a copyright reform measure that would facilitate preservation and enhanced access to works of authorship.⁸¹ Google has supported orphan works legislation as well, although it has argued for a solution that would allow digitization of in-copyright works in a manner that would overcome the very high transaction costs of doing rights clearances on a book-by-book basis.⁸²

Congress has considered, but not yet adopted, orphan works legislation modeled on the Copyright Office's recommendation.⁸³ This legislation would require diligent searches for copyright owners on a book-by-book basis. If the current bills become law, mass digitization projects, such as GBS, would simply not be feasible because the costs of diligent searches on a book-by-book basis are seemingly prohibitive.

There is reason to believe that the orphan work problem for books is more substantial than some imagine. It is certainly true that books generally have the name of the author, the title of the work, the name of the publisher, the city or cities in which the publisher has offices, and a copyright notice indicating the year of publication. This information would give anyone looking for the rights holder some clues for starting a diligent search. However, there are numerous reasons why books may turn out to be orphans.⁸⁴ The older the books are, the more likely it is that any diligent search will end in frustration.⁸⁵

The total number of orphan books is likely to be in the millions. One disinterested source, for instance, has estimated that between 2.8 and 5 million books of the roughly thirty million books in U.S. libraries are orphans.⁸⁶ David Drummond, Google's chief

⁷⁹ 17 U.S.C. sec. § 108(h).

⁸⁰ Orphan Works Study, *supra* note xx, at 8. If the copyright owner later appeared and directed reusers to cease copying, distributing, or making derivative works, the Copyright Office thought that the owner's wishes should be respected, but the reuser's diligent search would shield him or her from damage liability for past use. *Id.* at 115.

⁸¹ See, e.g., Library Copyright Alliance Letter to Senators Patrick J. Leahy and Orrin Hatch, June 17, 2008, available at <http://www.arl.org/bm~doc/lca-senate-orphan-works-s-2913-17june2008final.pdf>.

⁸² See, e.g., Letter from David Drummond, Vice President, Corporate Dev. & General Counsel for Google Inc., to Jule L. Sigall, Assoc. Register for Policy & Int'l Affairs for U.S. Copyright Office (Mar. 25, 2005), available at <http://www.copyright.gov/orphan/comments/OW0681-Google.pdf>.

⁸³ See, e.g., Shawn Bently Orphan Works Act of 2008, S. 2913, 110th Cong., 2d Sess. (2008); Public Domain Enhancement Act, H.R. 2408, 109th Cong., 1st Sess. (2005). There is, however, presently no orphan works bill pending in either the House or the Senate.

⁸⁴ See, e.g., Band, *supra* note xx, at xx.

⁸⁵ Covey reports, for example, that 67 percent of copyright owners of books published in 1923-29 were orphans, as were 38 percent for books published in the 1960s. Covey, *supra* note xx, at 1.

⁸⁶ See Statement of William Morris Endeavor Entertainment, Aug. 2009, available at <http://thepublicindex.org/docs/commentary/wme.pdf> (noting a Financial Times estimate that between 2.8 and 5 million of the 32 million books protected by copyright in the U.S. are likely to be orphans).

legal officer, has estimated that one in five of the GBS corpus is probably orphaned.⁸⁷ Some estimate that the percentage of orphan books will be much higher than this.⁸⁸

Even without the settlement, GBS snippets are providing somewhat greater access to and promoting somewhat greater use of orphan works. If Google's fair use defense for snippet-providing succeeded, Google had reason to be optimistic that it would also be able to make non-display uses of the contents of orphan books (e.g., to refine its automated translation tools).⁸⁹ Over time, Google might have been willing to expand access to the contents of books it came to have reason to believe were orphans, and it could have made a good argument that this was fair use because the rights holders could not be found.

However, Google's keenest interest in settling the *Authors Guild* case lay in the opportunity a settlement agreement would provide to solve the orphan book problem in a cost-effective way, at least for Google.⁹⁰ The default rule of the settlement is, as Part II will explain, that all out-of-print books in the settlement, including the orphans, can be commercialized by Google as long as it shares the revenues with a Book Rights Registry (BRR) whose task is to find rights holders whose books are earning money from Google's sales and licensing of them.

E. Uncertainty As To Ownership of E-Book Rights

Another impediment to mass digitization projects, such as GBS, is a lack of clarity as to who owns the rights to authorize the digitization of in-copyright books. There are at least four reasons why it may be unclear who owns the rights to digitize in-copyright books.⁹¹

One arises from ambiguities in publishing contracts. The only litigated case to have interpreted a common ambiguity is *Random House, Inc. v. Rosetta Books LLC*.⁹² Kurt Vonnegut and William Styron licensed Rosetta the right to sell e-books of their popular works; Random House argued this infringed its rights in these books. The contracts in issue that gave Random House the exclusive right "to publish [the work] in book form."⁹³

⁸⁷ See *Competition and Commerce in Digital Books: Hearing Before the H. Comm. on the Judiciary*, 110th Cong., 2d Sess. at 6 (2009) (Testimony of David Drummond, Senior Vice President of Corporate Development and Chief Legal Officer of Google, Inc.).

⁸⁸ See, e.g., Band, *supra* note xx, at 294 (estimating that 75% of books will remain unclaimed).

⁸⁹ I have elsewhere argued that at least some non-display uses of in-copyright books are fair uses. Samuelson, *supra* note xx, at 1363, n. 280. See also Sag, *supra* note xx, at 1609.

⁹⁰ See, e.g., Transcript, *supra* note xx, at 145 (Google's lawyer, Daralyn Durie informed Judge Chin that "without this opt-out regime for works that are not commercially available, there would be no settlement. This is an essential feature of the settlement.")

⁹¹ Actually, a fifth difficulty arises because copyrights are, under the 1976 Act, divisible into a seemingly infinite number of slices. See 17 U.S.C. § 201(d). The right to publish a hardcover edition of a book may be owned by one person; the right to print it on demand may belong to a second person; the right to edit the book's contents for an educational reader may belong to third person; and so on. A would-be digitizer may not be certain from whom it must obtain rights.

⁹² 283 F.3d 490 (2d Cir. 2002).

⁹³ *Id.* at xx.

Because the trial court construed this phrase as a limited grant,⁹⁴ it refused to issue a preliminary injunction against Rosetta’s commercialization of the e-books. Random House appealed this ruling.

The Second Circuit recognized that “there is some appeal to the argument that an ‘e-book’—a digital book that can be read on a computer screen or electronic device...—is simply a form of a book.”⁹⁵ However, it noted that “the law of New York, which determines the scope of Random House’s contracts, has arguably adopted a restrictive view of the kinds of ‘new uses’ to which an exclusive license may apply when the contracting parties do not expressly provide for coverage of such future forms.”⁹⁶ Although the appellate court affirmed the denial of the preliminary injunction, it pointed out that further fact-finding would be necessary to discern whether the reasonable expectations of the parties at the time of contracting supported the trial court’s preliminary assessment of the merits of Rosetta’s claim.⁹⁷ In the meantime, Vonnegut and Styron were free to contract with Rosetta Books to authorize it to make e-books available over the objection of the publisher of the print edition.

The “new and unforeseen uses” problem arises with some frequency in copyright cases, as new media evolve through which works of authorship can be made available.⁹⁸ The case law interpreting how disputes over unforeseen uses should be resolved is somewhat mixed. Some cases are sympathetic to claims that authors should be able to enjoy new revenue streams when advances in technology have made it possible to sell copies of their works in new formats,⁹⁹ while other cases are more receptive to arguments by commercial exploiters copyrighted works on the theory that these parties should enjoy whatever benefits flow from the exploitations that technology advances enable.¹⁰⁰ The *Rosetta Books* case seems to fall on the pro-author side as to e-books, but the decision is hotly contested by publishers.¹⁰¹ Because that decision merely denied Random House’s motion for a preliminary injunction, *Rosetta Books* is far from a definitive precedent for resolving the author-publisher e-book dispute.

⁹⁴ *Id.* at 491. *But see, e.g.,* Caryn J. Adams, *Random House v. Rosetta Books*, 17 BERKELEY TECH. L.J. 29, 46 (2002) (arguing that the district court’s decision in *Random House* is inconsistent with precedent in New York and the Second Circuit).

⁹⁵ *Random House*, 283 F.3d at 491 (citing cases).

⁹⁶ *Id.* at 491-92. The interpretation of contracts is, of course, a matter of state law, and state laws may differ in how broadly or narrowly to construe author-publisher contracts. Contract language too varies from one publishing contract to another. See *infra* notes xx and accompanying text concerning the implications of this for approval of the GBS settlement as to Attachment A, which aims to resolve author-publisher disputes over e-book ownership rights.

⁹⁷ “Without the benefit of the full record to be developed over the course of the litigation, we cannot say that the district court abused its discretion in the preliminary way it resolved these mixed questions of law and fact.” *Id.* at 491.

⁹⁸ *See, e.g.,* *Boosey & Hawkes Music Pubrs, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998); *Bourne v. Walt Disney Co.*, 68 F.3d 621 (2d Cir. 1995); *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968).

⁹⁹ *See, e.g.,* *New York Times v. Tasini*, 533 U.S. 483 (2001).

¹⁰⁰ *See, e.g.,* MELVILLE B. NIMMER & DAVID NIMMER, *NIMMER ON COPYRIGHT* § 10.10 [B] (discussing cases).

¹⁰¹ *See, e.g.,* Motoko Rich, *Legal Battles Over E-Book Rights to Older Books*, N.Y. TIMES, Dec. 13, 2009, available at <http://www.nytimes.com/2009/12/13/business/media/13ebooks.html>.

A second problem affecting the rights of authors and publishers to authorize e-books is that many publishing contracts, although by no means all, contain clauses that allow copyrights to revert to authors after the book goes out of print. Author reversion clauses are not always self-executing; that is, the copyright does not automatically revert to the author once the book is no longer being printed and actively sold in new copies. Rather, authors must send letters to their publishers announcing their intent to accomplish a reversion and asking the publishers to confirm the reversion.¹⁰² Some publishers do not respond quickly to reversion requests, leaving the ownership of copyright somewhat in abeyance.¹⁰³ Extra complications arise today because publishers may claim that books should still be considered “in print” as long as the publishers are making them available through a print-on-demand service.¹⁰⁴

A third problem affecting author-publisher rights to authorize e-books arises from poor document management practices.¹⁰⁵ Some publishers, as well as some authors, do not maintain good files on all of the contracts that authorize the publication of books. Misplaced contracts are especially likely for older books. Mergers and acquisitions of publishing firms, as well as the failure of some firms, in the past several decades may have contributed to difficulties in locating publishing contracts from which to discern whether the author or publisher of a particular book has the right to authorize the making and selling of e-books.¹⁰⁶

A fourth problem flows from the termination of transfer rules embodied in the 1976 Act. This Act gives authors (or certain specified heirs, if the author is deceased) the right to terminate any transfer of copyright—including the assignment of all rights in their works as well as non-exclusive or exclusive licenses—after thirty-five years as long as a notice of intent to terminate the transfer has been given between two and ten years before the effective date of termination, and certain other formalities are complied with.¹⁰⁷ This termination right is not waivable by contract.¹⁰⁸ Thus, an author who assigned copyright in a book manuscript to her publisher in 1978 can in 2010 inform the publisher that in 2013, she intends to terminate the assignment and reclaim full copyright in the book. And unless the author and publisher strike a new deal or the publisher can find some defect in compliance with termination formalities, the copyright will be in abeyance for the period between the notice and the termination.¹⁰⁹

¹⁰² Telephone conversation with Michael Boni, lead lawyer for the Author Subclass in the *Authors Guild* case, Aug. 12, 2009.

¹⁰³ *Id.*

¹⁰⁴ *Id.* (reporting that Simon & Schuster is making such an argument vis a vis the GBS settlement).

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ 17 U.S.C. §§ 203, 304 (c).

¹⁰⁸ *Id.*

¹⁰⁹ The termination right is, moreover, quite formalistic and likely to give rise to litigation and uncertainty. *See, e.g.,* *Milne ex rel. Coyne v. Stephen Slesinger, Inc.*, 430 F.3d 1036 (9th Cir. 2005), cert. denied, 548 U.S. 904 (2006) (rejecting effort to terminate a 1930 grant because of a renegotiated agreement in 1983); *Penguin Group v. Steinbeck*, 537 F.3d 193 (2d Cir. 2008) (rejecting effort to terminate grant by descendants’ of John Steinbeck because of renegotiated agreement by his third wife).

It is, of course, not just authors and publishers who find it difficult to know for sure who owns the right to authorize e-books, but also any third party that might want, for example, to digitize in-copyright books for a corpus such as GBS.

Any one of these four problems would be daunting, but considered together, they contribute significantly to the likelihood of exceptionally high transaction costs for obtaining rights clearances to build digital library collections. These uncertainties also exacerbate the orphan works problem, for to be certain about who owns e-book rights, one might well have to track down both the author and the publisher and get permission from both, and if the author is no longer living, one would have to track down her heirs as well.

While a legislative solution to some of these problems might be possible (e.g., proposing a revenue sharing arrangement for books published prior to a certain year after which e-book rights would have been in contemplation and should have been bargained for), it may be unlikely to occur for various reasons, including because rights allocations are generally matters of contract interpretation.

In the meantime, publishers can be expected to claim that they own e-book rights, and authors can be expected to dispute this. Some of these claims may end up in litigation, but this is an expensive and time-consuming way to resolve disputes, and few authors will have the resources to pursue this strategy. Yet, some author representatives are willing to incur the wrath of publishers by making deals with e-book sellers, such as the deal Andrew Wylie recently struck with Amazon.com on behalf of numerous prominent authors.¹¹⁰

Google set out to avoid these transaction costs by simply scanning the books and claiming its use was fair, relying in no small part on the argument that transaction costs for doing rights clearances in advance on a book-by-book basis are so high that a market failure exists.¹¹¹ Market failure has sometimes been invoked in support of fair use defenses.¹¹²

A powerful motivator for the GBS settlement, especially for the Authors Guild and the AAP, was an interest in finding a way to resolve key author-publisher e-book rights disputes.¹¹³ The Guild and AAP negotiators wanted to reach some agreement on a fair

¹¹⁰ See, e.g., Alison Flood & Ed Pilkington, *Publishers Rage Against Wylie's eBook Deal with Amazon*, GUARDIAN, July 23, 2010, available at <http://www.guardian.co.uk/books/2010/jul/23/publishers-wylies-ebook-deal-amazon>. However, Random House challenged Wylie's deal with Amazon and seems to have persuaded Wylie to back down. See, e.g., Jeffrey A. Trachtenberg, *Amazon Loses E-Book Deal*, Wall St. J., Aug. 25, 2010.

¹¹¹ See, e.g., Band, *supra* note xx, at 229.

¹¹² See, e.g., *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 539, 592 (1992) (market for licensing critical commentary or parody of copyrighted works is unlikely).

¹¹³ The lack of clarity about who owns e-book rights might, oddly enough, have worked in Google's favor in the *Authors Guild* case, as it could assert that it could not be sure who, as between authors and publishers, held the rights to authorize snippets and the costs of negotiating with both authors and publishers would have been prohibitive.

revenue-sharing arrangement when contracts were ambiguous or missing.¹¹⁴ The Authors Guild negotiators pressed hard for a reversion procedure that would ensure that copyrights would revert to authors after they gave notice to their publishers of their intent to invoke reversion.¹¹⁵

Google appears to be indifferent about how the author-publisher e-book disputes are resolved. As long as Google can keep a substantial share of any revenues generated from its commercialization of the books, it seems willing to pay a substantial share to the appropriate rights holder. It just doesn't want to make that determination itself. That is the job of the BRR and the arbitration regime it will administer for handling ownership disputes.¹¹⁶ From Google's standpoint, the resolution of the e-book rights issues at low cost is an indispensable component of the settlement. In effect, the settlement proposes to free Google of any worry about who really owns the rights; as long as Google throws 63 percent of the revenues over the wall to the BRR, it has met responsibilities.¹¹⁷ It is for BRR to make sure that the appropriate rights holder is located and paid appropriate shares of these revenues.¹¹⁸

F. Deficiencies in Copyright Office Records

The U.S. Copyright Office has historically maintained records of registration of copyright claims for books published in the U.S., as well as records of renewals of copyrights, transfers of copyrights, restorations of copyrights, and termination of transfer notices.¹¹⁹ This body of information should be of considerable assistance to anyone undertaking a diligent search for the rights holders of particular books, as these documents are matters of public record.

There are several reasons why registration and other rights holder data residing in the Copyright Office are not as helpful as one might initially assume. For one thing, registration is permissive under current law. Although there are some statutory inducements for prompt registration (e.g., the ability to get statutory damages and attorney fees depends on this),¹²⁰ relatively few copyright owners register at all, let alone promptly.¹²¹ Second, these records may be incomplete and are likely to be outdated, as there is no duty to update the information (as, for example, when the copyright is transferred from one person to another). Third, the Office has been a slow and not entirely successful adopter of digital technologies. Legacy information contained in paper documents filed with the Office prior to its very recent adoption of an online

¹¹⁴ Paul Aiken, Executive Director of the Authors Guild, explained to members of Congress that the GBS settlement had taken 30 months to negotiate in large part because the publishers and authors had a lot of issues they needed to negotiate. Transcript of House Hearing at 143. Attachment A of the ASA contains the resolution of these contentious issues.

¹¹⁵ Boni Conversation, supra note xx.

¹¹⁶ ASA, §§ 5.4, 6.1.

¹¹⁷ Id., § 4.5.

¹¹⁸ Id., § 6.1.

¹¹⁹ 17 U.S.C. §§ 104A, 203, 205, 304(c), 408-410.

¹²⁰ Id., § 412.

¹²¹ See, e.g., Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485 (2004).

registration system have not been digitized. Only by going to the Office oneself or hiring a firm to search the Office's records can one locate whatever information might be contained in its records.

Like the author-publisher disputes over ownership of e-book rights, the limitations of the Copyright Office records contribute to the orphan works problem. These limitations also make it difficult to determine which books published between 1923 and 1963 are in the public domain and which ones are still in copyright because the rights holder filed a renewal document with the Copyright Office.

It would help library digitization projects, as well as projects like GBS, if reliable renewal records were available online so that would-be digitizers could determine whether the copyrights were, in fact, renewed or the book is in the public domain for non-renewal. An estimated sixty percent of books published in that thirty year period are, in fact, public domain books; the problem is that no one knows which ones are still in-copyright and which ones are not.¹²² It would be very costly for nonprofit digitizers to go to the Copyright Office to make manual searches for renewal information.¹²³

When Google began GBS, it ignored this set of problems because it believed that its fair use defense would make checking Copyright Office records unnecessary. Under the settlement, however, Google is seemingly committed to establish an online database of all books in copyright and in the public domain.¹²⁴ It has, moreover, digitized the Copyright Office's renewal records to facilitate determinations about the public domain or in-copyright status of books.¹²⁵ The accuracy, completeness, and accessibility of these data remains a contentious issue in relation to the GBS settlement.¹²⁶

G. Google's Risk Assessment as a Contributor to GBS and the Settlement

When Google commenced the GBS scanning initiative, the firm was not only confident of its fair use defense, but also of its ability to moot any lawsuit filed against it for copyright infringement by individual authors or publishers because Google was prepared to remove objecting rights holders' works from the GBS corpus.¹²⁷

Google's liability risk for infringement as to any particular book was, moreover, relatively small. After all, how much financial harm could a copyright owner have

¹²² Conversation with John Wilkin, Executive Director of HathiTrust, Ann Arbor MI, Feb. 24, 2010.

¹²³ See, e.g., Letter from Arnaud Nourry, CEO of Hachette Livre SA, to Judge Chin, at 10-12, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y. Jan. 27, 2010), available at http://thepublicindex.org/docs/amended_settlement/hachette.pdf.

¹²⁴ ASA, § 3.1(b).

¹²⁵ See, e.g., Declaration of Pierfrancesco Attanasio at 3-4, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y. Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Attanasio.pdf.

¹²⁶ See, e.g., *id.* See also Letter from Diana Kimpton to Judge Chin, Jan. 27, 2010, at 4-6, Authors Guild Inc. v. Google Inc., No. 1:05-CV-8136 (S.D.N.Y.), available at http://thepublicindex.org/docs/amended_settlement/kimpton.pdf.

¹²⁷ Conversation with Alex MacGillivray, Feb. 16, 2006.

suffered from Google's storage of the book on its servers for some months before it was removed from GBS? Even if the scanning was deemed infringing, the actual damages would be \$0 or thereabouts, and since Google was not serving ads next to the snippets from in-copyright books, there would seem to be no profits attributable to the scanning and snippet-providing to be awarded to the copyright owner.¹²⁸

Although it was, of course, possible that a court could award statutory damages against Google, the risk range per book was \$750 to \$150,000.¹²⁹ Given the plausibility of Google's fair use defense, any statutory damage award was likely to be at the lower end of the scale.¹³⁰ And given the high costs of litigating against a big firm such as Google, few individual rights holders were likely to consider suing Google to be worthwhile.

Google's liability risks were even less worrisome as to copyright owners of chapters in edited volumes and owners of rights in other components of books (such as forewords, afterwords, photographs, or illustrations) because generally speaking these authors were unlikely to have registered their claims of copyright with the U.S. Copyright Office within three months of publication. They would thus be ineligible for awards of attorney fees or statutory damages. Because actual damages or profits were likely very small, these copyright owners were unlikely ever to bring an infringement suit against Google for GBS-related acts.

Of course, the liability risk would increase if a major trade publisher, such as McGraw Hill or Macmillan, sued Google for infringement of copyrights in thousands of their books, as indeed they did. However, Google may have viewed this risk as relatively modest because the *Rosetta Book* decision suggested that trade publishers probably did not, in fact, have the right to control e-book versions of the books. Google might have thought it could win a motion for summary judgment against any publisher who sued it for multiple infringements for scanning books to make indexes and display snippets. Google was, moreover, willing to remove books from the corpus if objections were strong. In addition, Google was working with major trade publishers through its partner program, and serious litigation against one's partners is unusual.¹³¹

Because all of the scanning of in-copyright books was being done in the U.S., Google had reason to believe its liability risk for infringement outside the U.S. would be small. Foreign rights holders might not like the GBS project, but because copyright laws are

¹²⁸ 17 U.S.C. § 504(b). U.S. copyright law allows recovery of both actual damages and any profits the defendant made that are attributable to infringement.

¹²⁹ 17 U.S.C. § 504(c). This remedy is an alternative to an award of actual damages and defendant profits. 17 U.S.C. § 504(a). By continuing to scan books after the Authors Guild charged it with infringement, Google increased the risk that it would be held to be a willful infringer.

¹³⁰ Elsewhere I have argued that statutory damage awards should be toward the minimum end of the scale for defendants with plausible fair use defenses. See Pamela Samuelson & Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary L. Rev. 439, 500 (2009).

¹³¹ The trade publisher's lawsuit against Google for scanning in-copyright books may have partly been motivated by concern that unless the publishers brought a similar lawsuit, the Guild might succeed in persuading a court that authors should be recognized as the owners of e-book rights, building upon the *Rosetta Books* case. The trade publishers who sued Google in 2005 were already members of the Google Partner Program at the time. Toobin, *supra* note xx, at 30.

territorially bounded, Google's risks of copyright liability outside the U.S. for scanning conducted inside the U.S. seemed minimal.¹³² The display of snippets to non-U.S. users of its search engine was probably protected by short quotation privileges in foreign copyright laws.

The biggest risk for Google was that someone would bring a class action lawsuit to challenge GBS. Yet, Google had reason to think that it could defeat a class action certification motion, given the diversity of interests and legal positions of authors and publishers on the scan-to-provide-snippets issue. A substantial percentage of books in the university research libraries whose books Google was scanning are books written by scholars for scholarly audiences. Academic authors of such books are far more likely than members of the Authors Guild to think that scanning-to-provide-snippets is fair use and more likely to want to make their out-of-print books available on an open access basis.¹³³ A professional writer such as Herbert Mitgang, the Guild's 89 year old lead plaintiff, might find it difficult to persuade a court that his claim that scanning books for snippet-display purposes was copyright infringement was typical of the legal perspectives of the majority of authors of books in the university libraries.

Differences among class members, including as to legal claims, may defeat class certification. Google had some experience with fending off class action lawsuits by challenging the certifiability of the class on this ground.¹³⁴ Google might also have had reason to believe that the Authors Guild would have a difficult time convincing a court that orphan book rights holders should be included in the class, as it is impossible to know what interests such persons would have. Google might also have pointed to uncertainty about whether the *Rosetta Books* decision resolved definitively that authors owned the rights to authorize the digitization of books.¹³⁵ This might also have made it hard for the Guild to win a motion for certification for the class identified in its complaint.

Yet, once the Authors Guild actually initiated a class action lawsuit against Google, and once the judge made clear at an early hearing that he was not inclined to dismiss the case merely because Google was willing to remove any book from the GBS corpus whose rights holder objected,¹³⁶ Google had some reason to fear that it was betting the firm on its fair use defense.

¹³² However, one French court has ruled that Google's scanning of French rights holders' books in the U.S. infringes French copyrights. See source cited supra note xx.

¹³³ See, e.g., Letter of Pamela Samuelson to Judge Denny Chin on behalf of academic authors at 2-3, *Authors Guild, Inc. v. Google, Inc.*, No. 05 CV 8136 (S.D.N.Y. Sept. 3, 2009), available at <http://thepublicindex.org/docs/letters/samuelson.pdf> (arguing that academic authors are more likely than Authors Guild members to support scanning-for-snippets as fair use).

¹³⁴ See *Vulcan Golf LLC v. Google, Inc.*, 2008 U.S. Dist. LEXIS 102819 (N.D. Ill. 2008) (denying certification of a class of trademark owners because the legal claims of the named plaintiffs were not typical of members of the proposed class, some of whom would have thought the challenged action was fair use).

¹³⁵ See supra notes xx and accompanying text.

¹³⁶ TBA

If the goal for GBS was, as one of Google’s library partners has maintained, to build a corpus of 50 million books,¹³⁷ the overwhelming majority of which may be in-copyright, its potential statutory damage exposure could run into the billions.¹³⁸ While Google would almost certainly have challenged the consistency of any such award with the Supreme Court’s due process jurisprudence limiting punitive damage awards,¹³⁹ challenges of this sort have thus far met with mixed results.¹⁴⁰ Google could also take little comfort in the fact that the *Authors Guild* complaint did not request an award of statutory damages because plaintiffs in U.S. copyright cases can request this remedy at any time up until entry of final judgment.¹⁴¹

Google also had some reason to worry that it could be enjoined from using that part of the GBS corpus consisting of in-copyright books for which the firm had not obtained rights holder permissions. It might even have been ordered to destroy that part of the corpus that contained infringing books, which would render GBS a very unwise investment indeed.

The risk of excessive statutory damage liability may have been a factor in Google’s willingness to consider a settlement of the Authors Guild and publisher lawsuits, although it was obviously willing to take that risk when it undertook the scanning projects with library partners. Another incentive for Google to settle this lawsuit was to negotiate for terms to insulate Google from any further risk of statutory damage awards.¹⁴²

H. Other Factors Contributing to GBS and the Settlement

Google undertook the GBS initiative not only because it wanted to attract more users to its search engine and supply them with snippets of information contained in the many millions of books it was scanning; it also wanted to make “non-display” uses of the books’ contents for purposes such as fine-tuning its search engine and language translation technologies.¹⁴³ As one Google employee has observed, “the very worst [search] algorithm at 10 million words is better than the very best algorithm at 1 million words.”¹⁴⁴ The best way to improve search technologies, he pointed out, is to get more data. It is obvious that books from major research libraries are dense with data.

¹³⁷ Courant Letter, *supra* note xx, at 1.

¹³⁸ Jonathan Band has estimated Google’s potential exposure in the Authors Guild case at \$3.6 trillion. Band, *supra* note xx, at 229.

¹³⁹ See, e.g., Samuelson & Wheatland, *supra* note xx, at 464-74 (arguing that this jurisprudence should be applied to grossly excessive statutory damage awards).

¹⁴⁰ *Id.* at 474-91 (discussing the mixed caselaw).

¹⁴¹ 17 U.S.C. § 504(c).

¹⁴² The overwhelming majority of copyright disputes as to books within the GBS settlement would have to be resolved through compulsory arbitration. ASA, *supra* note 1, Art. IX.

¹⁴³ Non-display uses are defined as “uses that do not display Expression from Digital Copies of Books or Inserts to the public.” *Id.*, § 1.94.

¹⁴⁴ See, e.g. Objection of Yahoo! Inc. to Settlement Agreement at 25, *Authors Guild, Inc. v. Google, Inc.*, No. 1:05 CV 8136 (DC) (S.D.N.Y. Sept. 8, 2009), available at <http://www.publicindex.org/docs/objections/yahoo.pdf> (quoting a Google engineer who pointed out the need for larger quanta of data to improve search technologies)

Google's motivation to settle the *Authors Guild* lawsuit was not just, and probably not mainly, to avert the risk of statutory damage liability, but more substantially as a means to generate revenues from which it could recoup the costs of the GBS initiative. Google is an amazingly innovative and successful company, but thus far, it has been, as Steve Ballmer has put the point, "a one-trick pony," in that it makes the overwhelming majority of its revenues from search-related advertising.¹⁴⁵ Eric Schmidt, Google's CEO, has said that he likes this pony very much, but he has also been cajoling Google staff to develop new revenue sources.¹⁴⁶ The settlement, if approved, would generate considerable revenues for Google, as it would then be authorized to serve ads against GBS content, most of which it could keep for itself.¹⁴⁷ Google will, if the settlement is approved, be able to keep 37 percent of any revenues generated from selling individual books under the consumer purchase model, from licensing the ISD to universities and other institutions, and from any other commercializations that it and the BRR might agree upon in the future.

Google may also have hoped that it would be able to reap additional revenues from GBS by integrating it not only with its search engine, but also with other products and services it was developing. Google has, for example, been promoting its Wave technology as "a real-time communication and collaboration platform that incorporates several types of web technologies, including email, instant messaging (IM), wiki, online documents, and gadgets."¹⁴⁸ A wave, says Google, "can be both a conversation and a document where people can discuss and work together using richly formatted text, photos, videos, maps, and more."¹⁴⁹ Integrating GBS with this platform or with social networking technologies that Google may develop or acquire to compete with Facebook would give Google a chance to expand the amount of time that its current user base spends in Google-land and extend opportunities for monetizing that additional user attention.¹⁵⁰

The trade publisher plaintiffs had two main motivations to settle their lawsuit against Google. One was to avert the risk that Google's fair use defense would succeed, which would set a precedent that would likely encourage many other scanning projects to be

¹⁴⁵ See, e.g., KEN AULETTA, *GOOGLED: THE END OF THE WORLD AS WE KNOW IT* 204 (2010) (quoting Ballmer).

¹⁴⁶ *Id.* at 204-05.

¹⁴⁷ Google is not obliged to share revenues with BRR for every ad served up when GBS book contents are displayed, but only to those that fall within the definition of certain advertising uses of GBS contents. ASA, § 3.14 states that "[a]dvertising on general search results pages in which the search is performed over multiple Books and/or over other content such as web pages in response to a user query is not considered an 'Advertising Use,' even if a single Book is the sole search result of a given search on a search results page." Only ads displayed next to preview uses of the books will give rise to an obligation to share ad revenues with rights holders. *Id.*

¹⁴⁸ See Google, About Google Wave, <http://wave.google.com/about.html>.

¹⁴⁹ *Id.*

¹⁵⁰ See, e.g., Sonia Ryst, *Google Moving Into Facebook Territory With Eye on Social Networking Games*, Wash. Post, Aug. 29, 2010, available at <http://www.washingtonpost.com/wp-dyn/content/article/2010/08/28/AR2010082800207.html> (discussing a number of ways in which Google has been or seems likely to compete with Facebook's social network).

undertaken.¹⁵¹ While a settlement of this lawsuit would obviously not set a formal legal precedent, the publishers hoped that the settlement would deter unauthorized digitization projects, for the settlement could be viewed as an implicit admission by Google that it needed to license the right to scan books.¹⁵² The settlement might help to tip the scales against fair use in any future case challenging book scanning.

A second, and more significant, publisher motivation to settle was the opportunity to generate a new revenue stream of potentially enormous value from books that at present, because of their out-of-print status, have been generating no income for their rights holders.¹⁵³ There was reason to think that “big money” would flow from Google’s licensing of the GBS ISD to various institutions.¹⁵⁴ The publishers who negotiated the GBS settlement made sure they would have a role in setting the prices of the ISD to different kinds of institutions to ensure that the revenue-enhancement goal was being achieved.¹⁵⁵ The Antitrust Division of the U.S. Department of Justice has expressed concern that the settlement would promote cartel pricing of books,¹⁵⁶ and some publishers may have been hoping this would indeed occur.

A third publisher motivation for the original settlement may have been the potential for a windfall payout for those publishers who registered with the BRR for at least some of their out-of-print books. They would have been eligible to enjoy a share of any revenues BRR collected from Google that were owed to rights holders of orphan books and others who failed to register with BRR during the first five years of business under the settlement.¹⁵⁷ Publishers no longer have this motivation to sign up with BRR, as the amended settlement omitted this windfall provision.¹⁵⁸

Like the publishers, the Authors Guild wanted to settle the lawsuit against Google to avoid the risk and costs of litigating the fair use issue and to help to generate new revenues from Google’s commercialization of GBS books. However, the Guild and its lawyers may have had three motivations to settle that differentiated them somewhat from the publishers.

¹⁵¹ Conversation with John Sargent, *supra* note xx.

¹⁵² *Id.*

¹⁵³ There is, of course, a secondary market for used books that are out of print. However, owing to copyright’s first sale doctrine, 17 U.S.C. § 109(a), revenues generated from used books do not flow to rights holders.

¹⁵⁴ Conversation with John Sargent, *supra* note xx. Michael Cairns and Mike Shatzkin have estimated that the ISD revenues will be about \$50 million per year from licensed higher education libraries, plus another \$21 million from licensed public libraries, assuming a \$15,000 license fee from the former and a \$5000 license fee from the latter (spreadsheet on file with the author).

¹⁵⁵ Half of the Board of Directors of the BRR is to be made up of representatives from the publishing industry. ASA, *supra* note 1, § 6.2(b)(ii).

¹⁵⁶ Statement of Interest by the U.S. Dept. of Justice Regarding the Proposed Settlement at 27, Authors Guild, Inc. v. Google, Inc., Case No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 18, 2009), 2009 WL 3045979 (hereafter “DOJ SOI I”). Commentators differ in their assessment of the antitrust issues presented by the GBS settlement. *See, e.g.*, Elhauge, *supra* note xx, and Picker, *supra* note xx.

¹⁵⁷ SA, *supra* note 1, § 6.2(a).

¹⁵⁸ DOJ challenged this aspect of the settlement agreement as posing an intra-class conflict. Registered rights holders would have little incentive to search hard for unregistered rights holders if they stood to benefit from the failure of the others to claim their books. *See* DOJ SOI I, *supra* note xx, at 9-10.

For one thing, the Guild had fewer financial resources than the publishers with which to pursue full-dress litigation against Google, for the lawyers who initiated this lawsuit and eventually became the Author Subclass counsel took the case on a contingency fee basis. Only if the case settled or resulted in a final judgment would these lawyers be compensated for their work on the case; thus, a nontrivial inducement for them to settle rather than litigate is the \$30 million the Author Subclass lawyers are slated to receive upon approval of the GBS settlement.¹⁵⁹

A second distinguishing motivation for the Authors Guild was the chance to particulate in the establishment of the BRR as a clearinghouse for licensing books to Google and possibly to other entities. Publishers are less interested in the BRR than the Guild because the former are active participants in the Google Partner Program through which they tailor deals for their books; these publishers also have active deals with other e-book distributors such as Amazon.com and Barnes & Noble. It appears that the major publishers who negotiated the GBS deal do not intend for their books to be subject to the default regime set forth in the settlement.¹⁶⁰ However, for the Guild to settle the GBS lawsuit on terms that will result in substantial new revenue streams for authors through the BRR would enhance the prestige of the organization and bring in new members. Guild staff have been actively engaged in planning for the operations of the BRR and believe the BRR will be a boon to the authorial community.¹⁶¹

A third distinguishing motivation was that the Authors Guild wanted to formalize some agreement under which the publishers would commit to a generous revenue-sharing arrangement with authors to resolve the e-book rights disputes as part of the overall agreement with Google.¹⁶² In the absence of this commitment, chances were that publishers would assume they had the e-book rights and put authors to the test of litigating the issue on a case-by-case basis, which most would not do.

Although Google's library partners were not formally parties to the settlement, their motivation to participate in the settlement was substantial. Without their willingness to be customers for the ISD, the commitment that Google could lawfully scan books from their collections and allow Google to give them back an LDC of these books (albeit with restrictions on uses of the LDCs), and releases of liability for the library's contribution to Google's scanning project, the settlement could not have been accomplished. Libraries had, however, little control over most of the terms in the settlement, as they were only brought in after the general framework for the deal was already in place.

II. How Is The GBS Settlement Like Copyright Reform?

¹⁵⁹ The lawyers representing the Publisher Subclass will get \$15.5 million if the GBS settlement is approved. The total amount to be paid to class counsel is, interestingly enough, half a million dollars more than the funds Google plans to set aside to compensate all of the copyright owners whose books Google has scanned for the GBS initiative. A settlement also relieves the lawyers of the obligation to actually litigate the claims they brought.

¹⁶⁰ See, e.g., DOJ SOI I, supra note xx, at xx.

¹⁶¹ Conversation with Jan Constantine, General Counsel of the Authors Guild, Aug. 5, 2009.

¹⁶² Conversation with Michael Boni, supra note xx.

If the GBS settlement was intended only to bind members of the Authors Guild and of the AAP, or only to bind copyright owners who opted into the regime that will be established upon approval of the settlement, it would certainly be a noteworthy agreement. However, it would be inaccurate to describe such an agreement, or the regime it would establish, as a copyright reform measure. Because the settlement would bind millions of copyright owners, not only in the U.S., but worldwide, to a regime that makes numerous fundamental changes to the default rules of copyright law, this article argues that the settlement is tantamount to copyright reform legislation.

There is reason to believe that a substantial percentage of the millions of people and firms whose rights in their books will be affected by the settlement may not have received notice of it, especially foreign rights holders.¹⁶³ Inadequate notice is especially problematic for those rights holders whose native language is not English, for the settlement agreement was never translated into other languages.¹⁶⁴ Even those who did receive notice are unlikely to have understood its full import, as the agreement is exceptionally complex.¹⁶⁵ Unfortunately for those who did not pay close attention to the controversy over the settlement, the deadline for opting out has passed, and the deadline for removing one's books from the GBS corpus will expire in less than a year, assuming the settlement is approved.

The scope of the original GBS settlement agreement was breathtakingly huge; virtually all owners of copyrights in books throughout the world would have been bound by the agreement unless they opted out of it in time. Hundreds of foreign rights holders objected to this exceptionally broad definition of the class.¹⁶⁶ In seeming response to these concerns, the amended settlement narrows the class of rights holders to which it pertains to those who hold rights in books first published in Australia, Canada, and the UK, plus those whose copyrights have been registered with the U.S. Copyright Office.¹⁶⁷

Yet, the settlement still affects a very substantial number of foreign rights holders in part because many foreign books have been registered with the Copyright Office,¹⁶⁸ and in part because the simultaneous publication of a book in, say, the Netherlands, Germany, and the UK, will result in its being treated as a work first published in the UK.¹⁶⁹ Indeed, it appears that a Dutch book may be regarded as within the settlement as long as the title page indicates that the publisher has offices in London as well as Amsterdam and Berlin.

¹⁶³ See, e.g., Brief Amicus Curiae of Japan P.E.N. Club in Opposition to the Amended Settlement, Authors Guild v. Google, Inc., No. 1:05 CV 8136 (DC) (S.D.N.Y. Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Japan_PEN.pdf.

¹⁶⁴ Id. at 4.

¹⁶⁵ See, e.g., Supplemental Objection of Scott E. Gant to the Amended Settlement and Certification of the Class and Subclasses, Authors Guild v. Google, Inc., No. 1:05 CV 8136 (DC) (S.D.N.Y. Jan. 26, 2010), available at http://thepublicindex.org/docs/amended_settlement/Gant_Objection.pdf.

¹⁶⁶ See, e.g., Objection of Harrassowitz, et al., Authors Guild v. Google, Inc., Case No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/objections/harrassowitz.pdf>.

¹⁶⁷ ASA, supra note 1, §§ 1.13 (definition of the “amended settlement class”), 1.19 (definition of “book”).

¹⁶⁸ Prior to 1990, foreign rights holders frequently registered copyright claims with the U.S. Copyright Office. See, e.g., Nourry Letter, supra note xx, at 5.

¹⁶⁹ See, e.g., German Objection II, supra note xx.

The license that the GBS settlement class will give Google achieves a kind of copyright reform in that it allows Google to avoid incurring the exceptionally high transaction costs of Google searching for rights holders on a book-by-book basis. These transaction costs would be roughly the same whether one wanted to digitize in-copyright books only to make non-display uses of their contents, to prepare an index of the contents, to serve snippets to search engine users, or to open an online bookstore. Although Google was willing to incur substantial costs to scan millions of books, to make indexes of their contents, to develop and refine search capabilities for finding and serving up snippets, and to litigate its fair use claim, it was not willing to seek advance permission, on a book-by-book basis, for every in-copyright book merely to serve snippets. That would have taken too long and cost too much to allow an effective market to form. For orphan books, an advance-permission market would, moreover, be impossible.

Market failure was not only an important element of Google's fair use defense, but also an important argument in favor of the settlement as a way to reform the copyright regime. Approval of the settlement will achieve two important copyright-relevant goals: (1) it will facilitate greatly enhanced access to millions of books that are no longer commercially available in new editions and that are collecting dust on research library shelves, and (2) it will provide compensation to rights holders for Google's uses of their books and a regime through which rights holders can efficiently obtain their fair share through the newly established BRR to represent their interests.

The rest of this Part will discuss in more detail specific respects in which the GBS settlement aims to achieve copyright reforms to address problems articulated in Part I.

A. The Settlement Gives Google a Broad License To Scan and Make Non-Display Uses of All Books Within the Settlement

Approval of the GBS settlement will give Google a license to scan all books covered by the settlement, to store these books on its servers, and to make non-display uses of their contents.¹⁷⁰ Non-display uses are defined as “uses that do not display Expression from Digital Copies of Books or Inserts to the public.”¹⁷¹ Processing the texts of books to refine Google's search technologies and to improve automated translation tools are two examples of such uses. The term seems also to encompass non-consumptive research (e.g., searching the corpus of books to trace the origins of particular words or phrases and discerning how their meaning evolved over time), although the settlement contains an additional license to engage in such use as to all books within the settlement.¹⁷² Because the term is broadly defined, it will likely permit some uses of books that have yet to be disclosed, and likely some that the settling parties did not contemplate.¹⁷³

¹⁷⁰ ASA, *supra* note 1, § 2.2.

¹⁷¹ *Id.*, § 1.94.

¹⁷² *Id.*, § 7.2(d).

¹⁷³ *See, e.g.*, Supplemental Objection of Arlo Guthrie et al. to the Amended Settlement Agreement at 9-10, *Authors Guild v. Google, Inc.*, No. 1:05 CV 8136 (DC) (S.D.N.Y. Jan. 28, 2010), *available at* http://thepublicindex.org/docs/amended_settlement/Guthrie_objection.pdf.

The license to scan books and to make non-display uses of them would have unnecessary if Google won its fair use defense in the *Authors Guild* case, but this license saves Google the time, money, and distraction of many years of litigation at a relatively cheap price, given Google's resources.¹⁷⁴ Congress could, of course, also have authorized such a license through legislation. Had it done so, proponents of book-scanning and digital library projects would have hailed this as copyright reform. However, it seems likely that the Authors Guild and the AAP would likely have opposed such legislation. Without their support, it is questionable that Congress would enact a safe harbor for scanning in-copyright books for non-display purposes. It seems, moreover, highly unlikely that Congress would adopt such a safe harbor only for Google. From the standpoint of the Authors Guild and the AAP, the GBS settlement is a copyright reform measure in that it establishes, even if only implicitly, that the digitization of in-copyright books for any purpose requires obtaining a license.¹⁷⁵

There is no legal precedent that supports the view implicit in this part of the settlement that the only legitimate interest copyright owners have in their books is in the right to control the display of expression from the books to members of the public. Maybe that is so, but it is not obviously so, as is evident from the objections to the settlement lodged by some authors for the settlement's failure to provide any compensation to copyright owners for non-display uses of their works. These uses have commercial significance for Google. It appears that the Authors Guild and the AAP negotiators did seek compensation for non-display uses of books. Google was, however, unwilling even to discuss the matter. Still, it is notable that neither the Guild nor the AAP claimed that non-display uses (which inevitably require some reproductions of the books' contents) were copyright infringements, so perhaps they were unsure of this claim themselves.

Two of Google's key competitors in the search engine business, Yahoo! and Microsoft, have objected to the non-display use provisions of the settlement because this license confers upon Google a competitive advantage that they deem to be unfair.

Studies have shown that users' satisfaction levels with search engines—and hence their loyalty to and persistent use of them—are affected by how well the engines respond to so-called “tail” queries, that is, queries on esoteric topics (e.g., seeking information about a particular bird native only in the Amazon River delta, the anatomical structure of whales, or import and export data for Lithuania in the 19th century) that many users of search engines occasionally make.¹⁷⁶ For common search queries (e.g., movie schedules for a particular theatre, where to find a particular model of Nikon camera, hotels available in Bermuda), virtually any search engine is as good as the others. However, Google's

¹⁷⁴ Google agreed to set aside \$45 million to pay members of the amended settlement class \$60 per book scanned on or before May 5, 2009. ASA, *supra* note 1, § 2.1(b).

¹⁷⁵ Telephone conversation with John Sargent, Aug. 11, 2009.

¹⁷⁶ See, e.g., Supplemental Memorandum of Amicus Curiae Open Book Alliance in Opposition to the Proposed Amended Settlement at 17-18, available at http://thepublicindex.org/docs/amended_settlement/Open_Book_Alliance.pdf (“OBA Supplemental Memorandum”).

ability to respond to tail queries will be vastly improved by its ability to search through the GBS book corpus.¹⁷⁷

There is, however, no way—apart from legislation or opening themselves to a class action lawsuit and hoping it will settle on similar terms to the GBS one—that Google’s search competitors can get a comparable license.¹⁷⁸ Both options seem highly unlikely to occur.

Perhaps because of its confidence in the settlement and perhaps because it believes that making non-display uses of books is fair use, Google has been making non-display uses of all 12 million plus books in the GBS corpus during the period in which the settlement has been pending.¹⁷⁹ This includes, I believe, books that are not covered by the settlement (e.g., books whose U.S. rights holders have not registered copyright claims with the Office, books whose rights holders have opted out of the settlement, and books whose foreign rights holders are excluded from the amended settlement). Google’s non-display uses of these books can be viewed as a kind of copyright reform on the ground through private ordering.

B. The Settlement Gives Google a License to Commercialize Out-of-Print Books

One of the most significant reform(ation)s of copyright rules for books that will flow from approval of the GBS settlement is the license it would give Google to commercialize all out-of-print books within the settlement, subject to the right of specific copyright owners to forbid this. The settlement would, in essence, grant Google a compulsory license to commercialize these books because although rights holders can say no, they must come forward to do this; and in the meantime, Google has the right to commercialize their books.¹⁸⁰

On several occasions, Congress has authorized compulsory licenses to make uses copyrighted content to facilitate the development of new markets or to overcome market failure. Amazon.com is among the opponents of the GBS settlement that vigorously asserts that the grant of a compulsory license to commercialize out-of-print but in-copyright books is an action that can lawfully be accomplished only through legislation, not through the settlement of a class action lawsuit.

The settlement sets forth the process by which Google will determine whether a book is out of print and thus subject to the default commercialization license.¹⁸¹ Google is obliged to consult various data sources to determine whether particular books are commercially available or not; if not, the books will be deemed out-of-print and available

¹⁷⁷ *Id.*

¹⁷⁸ DOJ SOI I, *supra* note xx, at 21 (casting doubt on any encouragement of Google’s competitors to do as it did in scanning books in hopes of attracting a class action lawsuit and settling it on similar terms).

¹⁷⁹ OBA Supplemental Memorandum, *supra* note xx, at 15.

¹⁸⁰ ASA, *supra* note 1, at §§ 2.1, 3.3. Rights holders can also sign up for the Google Partner Program and thereby be freed from default license terms under the GBS settlement.

¹⁸¹ *Id.*, § 3.2.

for commercialization.¹⁸² A rights holder's only recourse if he or she contests Google's determination is to initiate a compulsory arbitration under the aegis of the BRR.¹⁸³

The default commercialization license not only allows Google to avoid incurring the very high transaction costs of book-by-book rights clearances, but also sets forth standard terms for Google's use of out-of-print books. Up to 20 percent of the contents of these books, for example, can generally be displayed in response to search engine queries.¹⁸⁴

Google has the right, and indeed, the obligation, to commercialize out-of-print books in four ways: (1) sale of access rights to individual books to consumers, (2) licensing of an ISD of books to institutions, (3) running ads next to book contents responsive to user queries, and (4) collecting revenues from libraries and other ISD subscribers for pages printed out from ISD books.¹⁸⁵ The settlement contemplates that three additional business models—namely, print-on-demand, individual downloads of books, and consumer subscriptions—may be adopted in the future if Google and the BRR agree upon them.

Under the settlement, Google is entitled to keep 37 percent of any revenues it makes from these commercial activities; it is required to provide the other 63 percent to the BRR for distribution to the appropriate rights holders (less BRR's cut to cover its administrative expenses). The settlement calls for close monitoring of the usages of individual books so that compensation can be allocated to the proper rights holders for usages of the books.

This default commercialization license is another example of a private-ordering copyright reform measure. The settling parties recognized that out-of-print books have been generating zero or near-zero revenues for their rights holders. These books might, however, become commercially viable again because the economics of digital publishing are so different from the economics of print publishing, especially if an ISD of out-of-print books could be licensed to the very research libraries from which Google was scanning books. The default commercialization license holds out promise for generating substantial revenues for Google as well as for authors and publishers; it would at the same time make the contents of these books vastly more widely available.

C. Resolving the Author-Publisher e-Book Rights Dispute

The GBS settlement negotiations went on for 30 months in no small part because they were attempting to resolve not only issues about what Google could and could not do with GBS, but also to address disputes between the Guild and the AAP. The Guild and the AAP negotiators took the occasion of the settlement talks with Google to negotiate a

¹⁸² *Id.*, § 3.2 (d)(i)

¹⁸³ *Id.*, § 3.2(d)(iv). The ASA indicates that Google and the BRR are supposed to work together to resolve disputes over whether books are commercially available or unavailable. *Id.* But if this does not occur, arbitration will ensue.

¹⁸⁴ *Id.*, §§ 3.3 (granting Google a license to make display uses of books, including preview uses), 4.3 (setting forth rules about preview uses).

¹⁸⁵ *Id.*, §§ 2.1(a) (authorizing Google to sell ISD subscriptions, individual books, and place ads), 4.1 (per-page print-out fee authorization).

compromise solution to the very contentious issues about who, as between authors and publishers, owns the rights to authorize Google to make and sell digitized copies of in-copyright books. As noted above, the *Rosetta Books* decision suggested that these rights might well reside in authors, although trade publishers contest this conclusion.¹⁸⁶

The compromises the Guild and AAP reached are embodied in Attachment A to the GBS settlement agreement.¹⁸⁷ In particular, the Guild and AAP agreed that where contracts were unclear about e-book rights, authors of books published before 1987 should receive 65 percent of any revenues Google provides to BRR from its commercialization of the books, and publishers would get 35 percent of these revenues.¹⁸⁸ For books published after 1986, the revenue split is to be 50-50,¹⁸⁹ apparently because that year was when digital rights began to be perceived as a possible new market. Attachment A also sets forth a procedure for ensuring that authors are able to accomplish reversions of copyright to which they are entitled by providing that a publisher's failure to respond to a reversion request letter within a certain time will not thwart the reversion from happening.¹⁹⁰

As noted in Part I, the unclarity about who owns the right to authorize digitization of in-copyright books and commercialization of them is a troubling feature of the U.S. copyright landscape in the modern era. Litigation on a case-by-case basis seems a less than satisfactory way to resolve such issues. While legislation may be an alternative way to address this problem, there is such a deep divide between authors and publishers on this point that legislation seems infeasible.

Attachment A is thus a third example of a private-ordering copyright reform measure that breaks through this extraordinarily complicated and contentious set of issues. As with the reform measures discussed above, Google is the only entity that will benefit from the resolution of the author-publisher e-book rights issues. As the DOJ observed in its February 2010 Statement of Interest, the inability of other would-be digitizers to attain a comparable resolution effectively means that Attachment A creates a barrier to entry for possible competitors of Google.

D. The Settlement Offers a Solution for the Orphan Book Problem

The most obvious respect in which the GBS settlement would achieve an important measure of copyright reform is in the solution it provides to the orphan book problem—at least for Google. Although the settlement says nothing directly about orphan works, it contains some important provisions affecting unclaimed works (that is, books within the settlement whose rights holders have not registered with BRR). The agreement implicitly recognizes that some books will remain unclaimed for the rest of their copyright terms, which means they are plausibly described as orphans because BRR is obliged to search

¹⁸⁶ See *supra* notes xx and accompanying text.

¹⁸⁷ ASA, *supra* note 1, Att. A.

¹⁸⁸ *Id.*

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

for their owners. Some commentators view the unclaimed work provisions of the GBS settlement as its single most significant component.¹⁹¹

The settlement will have significant impacts on the availability of orphan works because under current law, these works can arguably not be made available at all, whereas approval of the settlement would allow Google to make up to 20 percent of the contents of these books available for free to users of its search engine. It would also permit Google to make the full texts of these books available to users of public and university libraries at free terminals as well as to subscribers to the ISD.

Another significant impact of the settlement on orphan works is that these books will begin generating revenues again, perhaps very substantial revenues, because the settlement contemplates that Google will commercialize these books for the full term of their copyrights. Under current law, commercial distribution of in-copyright books would, on its face, be copyright infringement. Google is obliged to pay 63 percent of the revenues it earns from commercialization of these books to BRR, whether or not the books are ever claimed.¹⁹² The settlement further commits Google to charging profit-maximizing prices for unclaimed as well as for claimed books. Because owners of rights in unclaimed books are unavailable to specify their preferred prices, the settlement directs Google to use an algorithm to set prices for these books, ranging from \$1.99 to \$29.99 per book. The pricing algorithm is supposed to be designed to mimic pricing in a competitive market.

The settlement uses a clever mechanism to mitigate the orphan work problem for books. It gives BRR the right to use some of the money generated from Google's commercialization of the books for the purpose of searching for rights holders. Proponents of the settlement believe that these rights holders will not only be findable, but glad to sign up with BRR so they can receive their fair share of GBS revenues. It would make sense for BRR to search first for those rights holders whose books are generating the most revenues.

But the settlement also recognizes the possibility that many rights holders will not be found and that funds from the commercialization of unclaimed books will remain in BRR coffers. One key question is what happens to that money. The settlement provisions that address this question are also an important dimension of the orphan work reform it will achieve.

Under the original settlement, BRR was directed to hold onto the unclaimed work funds for five years, after which the funds would be paid out first to BRR-registered rights holders, and then to literacy-promoting charities.¹⁹³ The DOJ objected to this allocation arrangement, perceiving it to create an intra-class conflict, for registered rights holders

¹⁹¹ See, e.g., James Grimmelmann, *The Google Book Search Settlement: The End, Means, and Future of Books*, available at <http://www.acslaw.org/files/Grimmelmann%20Issue%20Brief.pdf>.

¹⁹² ASA, *supra* note 1, § 4.5.

¹⁹³ SA, *supra* note 1, § 6.3(a)(i).

would have little incentive to look for owners of unclaimed works if the registrants stood to benefit financially if the unclaimed work owners never showed up.¹⁹⁴

To avoid this conflict, the amended settlement calls for the appointment of an unclaimed work fiduciary (UWF) to make certain decisions about Google's exploitation of unclaimed works and to act as something of a gatekeeper for funds owed to rights holders of unclaimed works.¹⁹⁵ The amended settlement also directs that funds generated by Google's commercialization of unclaimed works be held in escrow for ten years, after which the unclaimed work funds can be paid out to charities or otherwise allocated in a manner consistent with state laws.¹⁹⁶

The settlement's treatment of orphan books is no small matter. No one knows how many books will ultimately be unclaimed if the GBS settlement is approved.¹⁹⁷ Google spokesmen have tended to offer fairly conservative estimates about the proportion of orphan books in the GBS corpus. If this corpus grows to 50 million books, as some expect,¹⁹⁸ and the proportion of out-of-print and orphan books remained stable, use of one Google spokesman's conservative estimate of GBS orphans would yield about 7.5 million orphan books.¹⁹⁹

The proportion of orphan books may, however, be higher than this spokesman estimated, perhaps even much higher. "Older" books, especially books published before the 1980s,²⁰⁰ are especially likely to be unclaimed. In the 30 years or more since the publication of these books, the publishers may have gone out of business and authors may have passed away, be suffering from debilitating states, or otherwise uninterested in overtures from the BRR. Their heirs may be ignorant about rights in their forebearers' books or too numerous or dispersed to track down.

There is a separate question about how valuable orphan books will turn out to be. It is, of course, too early to know exactly how valuable they will be. Yet, the settlement agreement gives some hints about their perceived value. Orphan books sold through the

¹⁹⁴ DOJ SOI I, *supra* note xx, at 9-10.

¹⁹⁵ ASA, *supra* note 1, § 6.2(b)(iii). The only qualification ASA provides for this position is a negative one: he/she cannot be a book author or publisher. *Id.*

¹⁹⁶ *Id.*, §§ 6.2(b)(iv), 6.3(a). Some states object to the GBS settlement on the grounds that their states' unclaimed funds laws do not permit the allocations set forth in the settlement. *See, e.g.*, Objection of the State of Connecticut to Amended Class-Action Settlement, Authors Guild v. Google Inc., available at http://thepublicindex.org/docs/amended_settlement/Connecticut_Objection.pdf.

¹⁹⁷ *See supra* note xx.

¹⁹⁸ *See, e.g.*, Courant Letter, *supra* note xx, at 1 (estimating that Google will scan 50 million unique books for GBS).

¹⁹⁹ There is reason to believe that the proportion of orphans and of out-of-print books would be substantially higher as the number of books in the GBS corpus approaches 50 million, for there is a limited number of in-print books, and Google may be scanning most of them through its partner program.

²⁰⁰ Roughly half of the books in U.S. library collections were published before 1977 and one-third before 1964. *See* Brian Lavoie & Lorcan Dempsey, *Beyond 1923: Characteristics of Potentially In-copyright Print Books in Library Collections* 4-5, D-LIB MAG., Nov.-Dec. 2009, available at <http://www.dlib.org/november09/lavoie/11lavoie.html>. Moreover, research library collections tend to include a higher percentage of older books. *Id.* at 12.

consumer purchase model will, for instance, be priced in twelve bins, ranging from \$1.99 to \$29.99, with fixed percentages for each price bin.²⁰¹ The goal of the GBS pricing algorithm is to maximize revenues for orphan as well as claimed books.²⁰² Google also plans to license these books as part of the ISD to thousands of universities, public libraries, and other entities. Each book in the ISD, on its own, may not be all that commercially valuable, but a corpus of them will be. ISD subscription prices are supposed to approximate market returns for a multi-million book database.²⁰³ A substantial portion of books in the ISD—perhaps even a majority of them—is likely to be orphans.

From the standpoint of the Guild and the AAP, it may have been important that orphan books not be available for free or on open access basis, as the Copyright Office and other commentators have urged. This is because it may be difficult for their members' profit-maximizing books to compete with free ones. This may explain why the amended settlement does not give the UWF any power to direct Google to make unclaimed books available on an open access basis or to lower the prices of such books to, say, 99 cents. Copyright reform for orphan books, in the Guild's and AAP's view, should not undercut the ability of profit-maximizing rights holders to obtain substantial revenues from their books through GBS.

E. Library Privileges Under the GBS Settlement

One important copyright reform that the GBS settlement would achieve is to loosen significantly certain constraints under which libraries now operate because of copyright rules. Section 108 of the 1976 Act does not permit mass digitization of library books for preservation or other purposes.²⁰⁴ The GBS settlement authorizes Google to engage in mass digitization of in-copyright books and to give its fully participating library partners an LDC of the books in their collection.²⁰⁵ If these partners are members of an institutional consortium with which Google has a digitization agreement, Google can give them a copy not only of books Google scanned from their collections, but also other books in their collections, even if Google scanned those books from another library.²⁰⁶

The settlement also identifies several types of uses that can be made of the LDCs.²⁰⁷ They include providing special access to books in the LDC for print-disabled persons,²⁰⁸ replacing copies of books that have been damaged, destroyed, or stolen if unused replacements cannot be obtained at a fair price,²⁰⁹ deploying information-locating tools to

²⁰¹ ASA, *supra* note 1, § 4.2 (setting percentages for algorithmic pricing bins).

²⁰² *Id.* at § 4.2(c)(ii)(2).

²⁰³ *Id.*, § 4.1.

²⁰⁴ See *supra* notes xx and accompanying text.

²⁰⁵ ASA, *supra* note 1, § 7.2(a)(i). The GBS settlement provides that Google's fully participating library partners are third party beneficiaries of the agreement as to many of its provisions. *Id.*, § 7.2 (f).

²⁰⁶ *Id.*, § 7.2(a)(ii)-(iii). For the sake of brevity, the conditions attached to these authorizations are omitted.

²⁰⁷ *Id.*, § 7.2(b). The agreement contemplates meetings of Google, BRR, and library representatives to discuss library uses of LDC books and a set of standards for library reporting on such uses. *Id.*, § 7.5.

²⁰⁸ *Id.*, § 7.2(b)(ii).

²⁰⁹ *Id.*, § 7.2(b)(iii).

help users identify pertinent books and to display snippets to assess relevance,²¹⁰ allowing access to orphan books if Congress enacts legislation allowing uses of these books,²¹¹ enabling faculty and research staff to read, print, or download up to 5 pages from out-of-print books in the LDC for personal scholarly use or for classroom teaching,²¹² and providing qualified nonprofit researchers to engage in non-consumptive research on the LDC corpus.²¹³ The settlement also provides that these libraries may make other lawful uses of LDC contents if the BRR agrees to them.²¹⁴ However, the settlement constrains the use of LDCs for making inter-library loans, creating course e-reserves, or developing course management systems.²¹⁵ The permitted library uses of LDCs are more generous in scope than § 108 of the 1976 Act.

Also more generous than § 108 are the nonconsumptive research provisions of the GBS agreement. Nonconsumptive research is defined as “research in which computational analysis is performed on one or more Books, but not research in which a researcher reads or displays substantial portions of a Book to understand the intellectual content presented within the Book.”²¹⁶ Nonprofit researchers will be able not only use their own institutions’ LDCs to engage in such research (assuming their universities have a library partner agreement with Google), but also the full GBS research corpus (including many books that Google does not have the right to commercialize) which will be housed at two host sites.²¹⁷

The settlement identifies five exemplary types of nonconsumptive research: image analysis (either to improve image quality or to extract information from the image); textual analysis and information extraction (e.g., concordance development, citation extraction, natural language processing); linguistic analysis; automated translation; and indexing and searching.²¹⁸

Computational parts of nonconsumptive research make, in GBS-speak, nondisplay uses of books in the corpus.²¹⁹ However, some displays of book contents may be necessary to achieve the goal of particular nonconsumptive research projects. If, for example, a linguist is interested in studying how usage of a certain word evolved over time, he or she will need to be able to read portions of the texts of books that contain this word and to quote from the texts in a research paper reporting on the results of this analysis. Nonconsumptive research is not, then, wholly nonconsumptive.

²¹⁰ *Id.*, § 7.2(b)(iv).

²¹¹ *Id.*, § 7.2(b)(v).

²¹² *Id.*, § 7.2(b)(vii).

²¹³ *Id.*, § 7.2(b)(vi).

²¹⁴ *Id.*, § 7.2(b)(ix)(1).

²¹⁵ *Id.*, § 7.2(c)(iii)-(v).

²¹⁶ *Id.*, § 1.93.

²¹⁷ *Id.*, § 7.2(d). The research corpus will consist “all Digital Copies of Books made in connection with the Google Library Project.” *Id.*, § 1.132. It will not, however, include books whose rights holders have asked Google to remove the books to remove from the corpus on or before April 5, 2011, nor books whose rights holders ask to be withdrawn from the research corpus. *Id.*, § 7.2(d)(iv).

²¹⁸ *Id.*, § 7.2(d).

²¹⁹ *See, e.g.*, Sag, *supra* note xx, at 1609 (discussing copyright implications of non-expressive uses of copyrighted works, including non-display uses of GBS books).

Some scholars support the GBS settlement because of the important benefits likely to flow from the nonconsumptive research provisions.²²⁰ One classics scholar contends that the GBS research corpus may be “the foundation for the reinvention of [the] field” of Greco-Roman studies “as we explore larger, more challenging research projects than were ever feasible before.”²²¹ Non-consumptive research on the GBS research corpus “can be an extraordinary catalyst,” providing humanist scholars with “the raw materials with which to build this new digital age.”²²² It will contribute to “the emergence of a radically new, but deeply traditional form of intellectual activity,”²²³ and build intellectual citizenship and participation in knowledge creation by undergraduates.²²⁴

While it is possible that scanning books for purposes of engaging in non-consumptive research would, if litigated, be deemed a fair use of in-copyright books, this is far from certain, particularly given that as the settlement defines the term, this research includes some consumptive uses. The settlement’s endorsement of this research is tantamount to legislation creating a new exception to allow this type of use.

Non-consumptive research is closely regulated by the settlement, which restricts it in some very important ways. Only nonprofit researchers are eligible to participate in such research.²²⁵ The settlement requires non-consumptive researchers to provide a “research agenda” in advance of undertaking the research.²²⁶ Researchers are forbidden to make commercial use of any information extracted from books in the corpus unless both Google and the Registry have expressly consented.²²⁷ They are also forbidden to use data extracted from the research corpus for services to third parties if such services compete with services offered by rights holders or Google.²²⁸

F. Per-Page Printing Fees as a New Source of Revenue

²²⁰ See, e.g., Letter from Gregory Crane to Judge Chin in Support of the Settlement Agreement at 1, Authors Guild, Inc. v. Google, Inc., No. 1:05 CV 8136 (DC) (S.D.N.Y. Aug. 8, 2009), available at <http://www.publicindex.org/docs/crane.pdf> [“Crane Letter”] (comparing GBS to the Human Genome Project); Letter from Michael Heller to Judge Chin at 3 (comparing the GBS research corpus to the Library of Alexandria), Authors Guild, Inc. v. Google, Inc., No. 1:05 CV 8136 (DC) (S.D.N.Y. Aug. 8, 2009), available at <http://thepublicindex.org/docs/letters/Stanford%20Libraries.pdf>; Letter from members of the Stanford University Computer Science Department to Judge Denny Chin at 2-3, Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136, (S.D.N.Y. Sept. 3, 2009), available at http://thepublicindex.org/docs/letters/stanford_cs.pdf (predicting order of magnitude improvements in learning from non-consumptive research uses of GBS).

²²¹ Crane Letter, *supra* note xx, at 1.

²²² *Id.*

²²³ *Id.*

²²⁴ *Id.* at 3.

²²⁵ ASA, *supra* note 1, § 1.121 (defining “qualified user” for purposes of non-consumptive research). For-profit researcher can only participate in non-consumptive research on the GBS corpus with the prior written consent of both Google and the Registry.

²²⁶ *Id.*, § 7.2(d)(xi)(2).

²²⁷ *Id.*, § 7.2(d)(viii).

²²⁸ *Id.*, § 7.2(d)(ix).

The GBS settlement provides that libraries and other institutional subscribers to the ISD must pay a fee for every page they or their patrons print out from books in the ISD.²²⁹ The amount of this fee is left unspecified in the agreement.²³⁰ The settlement also limits the number of pages that can be printed out from ISD books in any one session.²³¹ BRR is responsible for deciding how to allocate the per-page printing fees to registered rights holders.²³²

The per-page print-out fee to be charged for ISD books may be viewed as another example of copyright reform through private ordering because copyright owners today do not generally enjoy a direct revenue stream from library patron copying of pages from out-of-print books. Nor can they limit the number of pages copied at any one time in a library.

Library patron copying of pages from in-copyright works has been a contentious issue between copyright owners, on the one hand, and librarians and researchers, on the other hand, for several decades.²³³ This issue, particularly as to photocopying, was debated at length during the legislative history of the 1976 Act. It was one of the new technology controversies that held up the enactment of copyright revision bills for some years.

Librarians and researchers have typically argued that it is fair use to make copies of individual articles from journals or a small number of pages from books, as well as for libraries to make such copies on behalf of their patrons as long as librarians refrained from charging more for the photocopies than was necessary to cover costs. The short version of their argument runs something like this: The noncommercial and research purpose of such copies cuts in favor of fair use. Most copying for research purposes is being done from fact-intensive works, which tend to enjoy a broader scope of fair use. The amount copied by or for each patron is often only a small portion of a larger work, and only one copy is typically made. The mere fact that publishers want to charge for this type of use does not mean there is harm to the market; besides publishers have taken photocopying into account in setting the price of journal subscriptions to libraries.

Publishers have long protested that neither patron nor library copying is fair use. The short version of their argument is this: The purpose of the use is consumptive, not productive (that is, no new work of authorship results from this copying, unlike the use of quotes from a previous work in a biography or history). The copying is typically done of whole works (e.g., individual articles from a journal) or significant parts (e.g., a chapter or two from a book). Publishers view photocopying as a new market for their works, and are only asking for compensation for the multiplication of copies resulting from

²²⁹ *Id.*, § 4.8(a)(ii)

²³⁰ This fee will be set by the BRR and is supposed to be “reasonable.” *Id.* Google is supposed to collect the printing fees from the institutions obliged to pay them and provide 63 percent of them to the BRR. *Id.*

²³¹ *Id.*, § 4.1(d) (allowing printing of up to 20 pages from ISD books). The settlement also limits the number of pages that can be cut-and-pasted from ISD books to four. *Id.* Consumers who purchase books can also print out up to 20 pages from the books they bought. *Id.*, § 4.2(a).

²³² *Id.*, § 6.1(d).

²³³ *See, e.g.*, WILLIAM F. PATRY, *THE FAIR USE PRIVILEGE IN COPYRIGHT LAW*, Chaps. 7-13 (1985).

photocopying. Library photocopying on behalf of patrons was, in their view, even more unfair than patron copying because of its more systematic and extensive character.

This issue was in heated litigation while the 1976 Act was under consideration. Williams & Wilkins, the publisher of medical research journals, sued the U.S. government because the National Institutes of Health (NIH) was operating a service to make single photocopies of individual journal articles for scientific researchers when requested to do so.²³⁴ A trial court initially ruled that this copying was infringement.²³⁵ However, a larger panel of Court of Claims judges reversed this ruling by a 4-3 majority, with the majority concluding that this nonprofit library copying for patrons was fair use.²³⁶ The Supreme Court granted Williams & Wilkins petition for certiorari, but ultimately affirmed the Court of Claims' ruling in a 4-4 split on the merits of the government's fair use defense.²³⁷ Congress did not override the *Williams & Wilkins* ruling in the 1976 Act, and left photocopying issues to the vagaries of fair use jurisprudence.

Photocopying of journal articles for research purposes was tested anew in the 1990's in *American Geophysical Union v. Texaco, Inc.*²³⁸ In *Texaco*, a divided Second Circuit ruled that the archival copying of scientific and technical articles by commercial research scientists was not fair use, in substantial part because the Copyright Clearance Center (CCC) had been established to license for-profit subscribers, such as Texaco, whose researchers wanted to make copies of articles from the journals.²³⁹

Publishers have not litigated about photocopying at nonprofit research institutions, even though much of the reasoning in *Texaco* would seemingly apply in nonprofit settings as well.²⁴⁰ Section 108(d) of the 1976 Act provides that libraries can provide copies of one article from a journal or one chapter from a book to individual patrons as long as it is done for purposes of private study.²⁴¹ Researchers often photocopy pages from out-of-

²³⁴ *Williams & Wilkins Co. v. United States*, 487 F.2d 1345 (Ct. Cl. 1973).

²³⁵ *Id.* at xx.

²³⁶ *Id.* at xx.

²³⁷ *Williams & Wilkins Co. v. United States*, 420 U.S. 376 (1975).

²³⁸ 60 F.3d 913 (2d Cir. 1994). The Second Circuit did not address whether copying by a researcher himself would be fair use. *Id.* at 916.

²³⁹ *Id.* at 929–31. It is worth noting that after a storm of criticism about the circularity of the harm analysis in *Texaco* (under which a use would be unfair if a publisher wanted to license it), the Second Circuit issued an amended opinion that tried to respond to this criticism. Compare *American Geophysical Union v. Texaco, Inc.*, 37 F.3d 891 (2d Cir. 1994), with *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1994).

²⁴⁰ CCC would have been willing to license these institutions as well as profit-making firms such as Texaco.

²⁴¹ 17 U.S.C. § 108(d). For a discussion of this provision, see, e.g., Gasaway, *supra* note xx, at 143-44. Libraries generally pay institutional subscription rates for journals that are higher than the rates that individual subscribers pay. Section 108(e) also allows libraries to reproduce an entire work (or a substantial part) if copies are unavailable for a reasonable price from trade sources or used book vendors as long as the copy is made for purposes of private study. See 17 U.S.C. § 108(e); Gasaway, *supra* note xx, at 145-46.

print books in major research library collections that are generally regarded as fair uses by commentators.²⁴²

Insofar as the GBS settlement would now require compensation to be paid to copyright owners for printing out even one or two pages from ISD books, it would seem to accomplish a copyright reform that will benefit rights holders and put new burdens on libraries and their patrons.²⁴³ Print-out fees would, moreover, be paid for copies made at state-related institutions (such as the University of Michigan), which means that copyright owners will in this respect get more compensatory relief from the class action settlement than they could from litigation.²⁴⁴ Approval of the GBS settlement might also improve the chances of success for a publisher lawsuit challenging researcher photocopying as infringement.²⁴⁵

G. A New Exception to Copyright Rules for Print-Disabled Persons

Among the most fervent supporters of the proposed GBS settlement is the National Federation of the Blind (NFB).²⁴⁶ This is because approval of the GBS settlement promises to dramatically increase the accessibility of books—perhaps to twenty million volumes—for the estimated 30 million persons who suffer from print disabilities.²⁴⁷ This would enable them to become better educated and more productive members of society.²⁴⁸

For all books whose contents Google has display rights, the settlement provides that Google “may provide the Display Uses in a manner that accommodates users with Print Disabilities so that such users have a substantially similar user experience as users without Print Disabilities.”²⁴⁹ This apparently includes all books in the ISD, all books available for consumer purchases, and all books for which Google can make preview and snippet uses in response to search queries.²⁵⁰ The settlement reflects Google’s intent to offer a service for GBS display books that will enlarge the texts, provide voice renderings, or refreshable Braille displays to accommodate print-disabled persons.²⁵¹

²⁴² See, e.g., Ann Bartow, *Educational Fair Use in Copyright: Reclaiming the Right to Photocopy Freely*, 60 U. Pitt. L. Rev. 149 (1998).

²⁴³ See, e.g., Academic Author Objection, *supra* note xx, at 7 (objecting to print-out fees as undermining fair use rights).

²⁴⁴ Recall the Eleventh Amendment limitation on monetary damage awards against state-related institutions, such as universities. See *supra* notes xx and accompanying text.

²⁴⁵ Because the settlement establishes a new market for libraries to pay for copying from in-copyright books, publishers can argue that print-out fees are a new market that should be reserved for them under *Texaco*.

²⁴⁶ See Comments of Disability Organizations of or For Print-Disabled Persons in Support of the Proposed Settlement, Authors Guild, Inc. v. Google, Inc., Case No. 05 CV 8136 (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/letters/NFB.pdf> (“Disability Comments”). Marc Maurer, the President of the NFB spoke in favor of the settlement at the fairness hearing. See Transcript, *supra* note xx, at 14-17.

²⁴⁷ Disability Comments, *supra* note xx, at 10-11.

²⁴⁸ Transcript, *supra* note xx, at 14-17.

²⁴⁹ ASA, *supra* note 1, § 3.3(d).

²⁵⁰ Disability Comments, *supra* note xx, at 9.

²⁵¹ Google’s intent to provide this service is stated in ASA, *supra* note 1, § 7.2(g)(ii). The service is defined, *id.*, § 7.2(g)(i).

If Google does not implement this service within five years after approval of the settlement, it must allow fully participating libraries to make arrangements with a third-party provider so that the print-disabled community's access to GBS books is enabled.²⁵²

It is appropriate to think of this aspect of the settlement agreement as copyright reform because although U.S. copyright law presently provides that authorized entities can make and distribute copies of previously published literary works in specialized formats for use by blind and other disabled persons, it is more limited in scope than NFB thinks it should be, and relatively few books have been made available under its auspices.²⁵³

H. Safe Harbors and Releases from Liability

Google has made sure that the GBS settlement agreement contains safe harbors for some activities which, in the absence of this agreement, would be infringing. For example, if Google makes a determination that a particular book is in the public domain, and did so in good faith and by the process set forth in the settlement, it cannot be held liable for damages for any of its uses of the book or for providing downloadable copies of it to others.²⁵⁴ A similar limit on liability exists if Google mistakenly classified a book as commercially unavailable (and hence subject to Google's display use commercializations).²⁵⁵

Article X of the GBS settlement also provides a very broad set of releases from liability for all claims that the plaintiff rights holders could have asserted against Google in this lawsuit,²⁵⁶ including not only all claims of copyright infringement, but also claims of trademark or moral rights violations arising from its digitization of books, providing the GBS service, delivering LDCs to libraries, and other GBS matters prior to the effective date of the settlement.²⁵⁷ The releases from liability also extend to all acts authorized by the amended settlement agreement.²⁵⁸

²⁵² *Id.*, § 7.2(g)(ii). The alternate provider is supposed to enter into agreements with Google and the BRR before providing this service. *Id.*, § 7.2(g)(ii)(2)(b).

²⁵³ Disability Comments, *supra* note 1, at 6-7. Only about five percent of published works are, for example, currently available in formats that are accessible to the print-disabled. *Id.*

²⁵⁴ ASA, *supra* note 1, § 3.2(d)(v)(3).

²⁵⁵ *Id.*, § 3.2 (d)(ii)-(iii) (providing that the sole remedy for mistaken determinations is Google's prompt correction of the designation).

²⁵⁶ *Id.*, § 10.2(a) (grant of release). Libraries are among the other releasees under this article of the GBS agreement.

²⁵⁷ *Id.*

²⁵⁸ *Id.*, § 10.1(f). Neither the Authors Guild nor the McGraw Hill complaint against Google raised trademark or moral rights claims pertaining to GBS. Nothing Google has done thus far with GBS would seem to implicate either type of law. These extra-copyright releases may, however, be needed after the effective date of the settlement. Google might, for example, start selling author, book name, or snippets of texts from books as ad words, which might implicate trademark law. The settlement gives Google the right to alter the texts of books, which might implicate moral rights laws. It should be noted that literary works do not enjoy moral rights protection from U.S. copyright law, so it may be that state law claims would be released. The Guthrie Objection raised concerns about the releases granted for trademark infringement. Guthrie Objection, *supra* note xx, at xx.

Safe harbors and immunity from liability for copyright infringement are generally only available through legislative action. In 1998, for instance, Congress enacted four safe harbors for Internet service providers (ISPs): (1) for copies made in the course of transmission of content from one user to another, (2) for system cache copies made by ISPs to facilitate user access to content, (3) for copies of content stored by users on an ISPs' servers, and (4) for information locating tools (e.g., search engine) that inadvertently link to infringing content.²⁵⁹

Congress made the availability of these safe harbors contingent on some responsible actions by the ISPs (e.g., requiring them to designate an agent to whom complaints of infringement could be directed and to take down infringing content after being given notice about it).²⁶⁰ The grant of broad safe harbors from copyright infringement would thus seem to be another prerogative of Congress. Because the settlement would achieve much the same result as if the legislature had acted, it resembles copyright reform.

I. Avoiding Federal Courts, Statutory Damages, and the Risk of Injunctive Relief

Most disputes between or among Google, rights holders, claimants, the BRR, and/or participating libraries over matters arising from the GBS agreement are to be resolved through a compulsory arbitration regime that is set forth in the agreement.²⁶¹ This includes disputes over mistaken ownership determinations, failure to pay compensation to BRR for some exploitations of books, discounts that should not have been granted, erroneous inclusion of a book in the ISD, and importantly, breaches in the strict security requirements set forth in the agreement.²⁶²

Security is obviously important to rights holders because if hackers managed to break into GBS servers and obtain copies of books from the corpus, these copies could be distributed via the Internet without compensation to copyright owners. The security requirement provisions of the GBS agreement are among its most detailed.²⁶³ Monetary damages for breaches of security provisions are limited to actual damages and are the

²⁵⁹ 17 U.S.C. § 512.

²⁶⁰ *Id.*, §§ 512(c)(2), 512(i).

²⁶¹ ASA, *supra* note 1, § 9.1. Indeed, the overwhelming majority of disputes arising under the GBS settlement (e.g., among rival claimants for the same book or between libraries and the BRR) will be subject to mandatory arbitration. *Id.* The only express exclusion is for disputes between registered rights holders and claimants for the same book; the amended settlement allows the parties to decide to take this matter to court.

²⁶² *Id.*, § 9.1(e). Guild proponents of the GBS settlement believe that the arbitration procedures will benefit authors. Authors often face difficulties when trying to assert or enforce their rights because the costs of litigation may exceed by a substantial margin the amount that can be recovered. A compulsory arbitration procedure will reduce the costs of enforcing rights. Conversation with Jan Constantine, *supra* note xx. However, some authors groups perceive the compulsory arbitration procedures of the GBS settlement as a negative. See, e.g., Objections of Science Fiction & Fantasy Writers of Am., Inc., et al, to the Amended Settlement Agreement 16-18, Authors Guild v. Google, Inc., *available at* http://thepublicindex.org/docs/amended_settlement/SFWA_ASJA_Objection.pdf.

²⁶³ ASA, *supra* note 1, Part VIII. Google, participating libraries, and host sites for the GBS nonconsumptive research corpus must formulate and comply with security implementation plans that must be updated periodically. *Id.*, § 8.2.

sole remedy available for such breaches.²⁶⁴ Even reckless, willful, or intentional misconduct that leads to unauthorized access to in-copyright books is subject only to arbitration and approximate actual damages.²⁶⁵

Injunctive relief for any activities arising from the GBS settlement may only be sought in federal court if a party to the settlement has repeatedly, willfully, or intentionally not complied with its obligations under the agreement.²⁶⁶

J. An Online Searchable Database on Books and Their Copyrights to Outside the Copyright Office

The settlement commits Google to develop a searchable online database about books in GBS, which will include data about the copyright status, commercial availability (or not), and ownership of the books.²⁶⁷ This database will be accessible by members of the settlement class via the Internet and will identify books with a copyright date after 1922 that Google has digitized or reasonably anticipates it might digitize under the settlement.²⁶⁸ This database will be updated as Google acquires more information about books, their copyright status, and their owners.²⁶⁹

While the settlement does not directly call for creation of a database to track the revenues that Google is earning from various commercial uses of GBS books, it is obvious that this is an essential part of the regime that will be established if the settlement is approved. After all, the settlement requires Google to make payments to BRR for uses of particular books,²⁷⁰ and this can only be done through an elaborate database that keeps track of which books Google is selling, for what price, and what uses are being made of ISD books.

Google has also created an online database of Copyright Office renewal records which should help rights holders and potential reusers of particular books determine the copyright status of books published between 1923 and 1963.

The metadata that Google will be gathering about books could turn out to be a very valuable resource in its own right. The more complete the metadata collection is, the more likely it is that the Google database(s) on books will be a more useful resource than the Copyright Office for such information. However, unlike the Copyright Office

²⁶⁴ *Id.*, § 8.3(g). Inconsequential breaches will result in no liability. *Id.*, § 8.4(a).

²⁶⁵ *Id.*, § 8.5(b). Even so, damage awards are capped at what would be available per work as a statutory damage award and Google's total liability would be capped at \$50 million for willful or intentional misconduct.

²⁶⁶ *Id.*, § 9.11.

²⁶⁷ *Id.*, § 3.11(b)(ii).

²⁶⁸ *Id.* A second purpose of this database is to enable members of the class to determine whether they are entitled to compensation for Google's scanning of their books for GBS on or before May 5, 2009. *Id.*

²⁶⁹ Some objectors complained of errors in the online books database. See, e.g., Objection of Diana Kimpton to the Amended Settlement Agreement 5-7, *Authors Guild v. Google, Inc.*, (S.D.N.Y. Jan. 27, 2010), available at http://thepublicindex.org/docs/amended_settlement/kimpton.pdf.

²⁷⁰ ASA, *supra* note 1, § 4.6.

records, the full Google database(s) about books is unlikely to be accessible to all members of the public.

The Copyright Office could undertake an ambitious project to develop a similar and more publicly accessible database about books. But this would require a Congressional allocation of resources to enable this development to take place. There is at present little reason to think that Congress will make such an allocation.

III. Should The GBS Settlement Be Approved?

Now that we have identified numerous respects in which the GBS settlement would achieve results akin to legislative reforms of copyright law, it is time to turn to two important questions: one is whether the settlement should be approved, and a second is whether the legislative or quasi-legislative character of the GBS settlement is just an interesting side-effect of the settlement, or an additional reason why the GBS settlement should either be approved or disapproved.

No one made the argument in open court that the settlement should be approved because it would achieve copyright reform. The principal issue before the court at the six-hour hearing in February 2010 was whether the GBS settlement is “fair, reasonable, and adequate” to the class on whose behalf the settling parties claim it was negotiated.²⁷¹

The settling parties argued that the agreement meets this standard because it embodies many compromises on difficult issues and because it ensures that rights holders will be able to exercise reasonable control over Google’s uses of their works.²⁷² All class members had the opportunity to opt out if they did not wish to be bound by the deal. Those who stayed in the class should understand that Google plans to commercialize only those books that are currently not generating any revenues for their owners; these rights holders will benefit from this commercialization because they will receive a substantial portion of revenues Google earns from those books.²⁷³ Moreover, they need only inform Google of their objections if they want the commercialization to stop.²⁷⁴ Non-party supporters urged the court to approve the settlement because it would bring about important societal benefits, such as making books accessible to print-disabled persons and making them available at public libraries.²⁷⁵

There were, however, hundreds of authors and entities who raised myriad objections to the settlement,²⁷⁶ and the governments of France, Germany, and the United States of

²⁷¹ This is the standard set forth in Federal Rules of Civil Procedure, Rule 23(e).

²⁷² Transcript, *supra* note xx, at 163-64.

²⁷³ *Id.* at 147.

²⁷⁴ *Id.* at 152.

²⁷⁵ *Id.* at 9, 15-17. If Google fails to provide public library or print-disabled access, however, this would not constitute a breach of the settlement agreement, because public libraries and advocates for print-disabled persons are not third-party beneficiaries of the agreement.

²⁷⁶ See, e.g., New York Law School, The Public-Interest Book Search Initiative, Objections and Responses to the Google Book Settlement: A Report, Version 2.0 (May 2010) (identifying 76 distinct issues in 11 categories of objections filed in the GBS matter).

America opposed it.²⁷⁷ Let's leave aside for the moment consideration of how meritorious these objections may be,²⁷⁸ and assume for the sake of argument that the compromises embodied in the GBS agreement, as the settling parties suggest, are in some general sense fair and reasonable.²⁷⁹ Does this kind of fairness suffice to satisfy the requirements for class action settlements set forth in Rule 23(e) of the Federal Rules of Civil Procedure?

The Supreme Court addressed this question in *Amchem Products, Inc. v. Windsor* when considering whether to approve a class action settlement that would have established a compensation tribunal to resolve present and future claims for harms arising from asbestos exposure.²⁸⁰ The Court recognized that the proposed settlement in *Amchem* was a meaningful response to a real crisis; tens of thousands of lawsuits had sought damages for harms suffered from such exposure, and thousands of more lawsuits were likely in coming years.²⁸¹ The transaction costs of litigating these cases often exceeded the amounts that could be recovered, and recoveries for similar injuries were sometimes inconsistent.²⁸² One prominent report recommended federal legislation to create a dispute resolution scheme to serve as a global response to this crisis.²⁸³

The Court in *Amchem* noted that “[t]he argument is sensibly made that a nationwide administrative claims processing regime would provide the most secure, fair, and efficient means of compensating victims of asbestos exposure.” However, it also observed that “Congress...has not adopted such a solution.”²⁸⁴ This factored into the Court's decision that the settlement should not be approved.

It is a quintessentially legislative function to identify a crisis like the asbestos injury litigations and formulate an administrative regime to address the crisis. It is, however, a bold move to say that because a crisis exists and the legislature has not acted, a class action settlement can be used to accomplish the same objective.

The Court in *Amchem* recognized that some courts had been willing to approve “reasonable” settlements without the usual rigorous examination of the certifiability of

²⁷⁷ See, e.g., Statement of Interest by the U.S. Dept. of Justice Regarding the Proposed Settlement at 27, *Authors Guild, Inc. v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Feb. 4, 2010), available at http://thepublicindex.org/docs/amended_settlement/usa.pdf (hereafter “DOJ SOI II”); French Objection, supra note xx. A minister from Germany appeared at the fairness hearing to present Germany's reasons for opposing the settlement. Transcript, supra note xx, at 69-73.

²⁷⁸ I have elsewhere suggested there are numerous reasons to be concerned about the settlement. See Samuelson, supra note xx, Part II-B.

²⁷⁹ See, e.g., Transcript, supra note xx, at 163-64.

²⁸⁰ 521 U.S. 591 (1997).

²⁸¹ In *Ortiz v. Fibreboard Corp.*, 527 U.S. 821, xx (1999), Justice Breyer noted that 80,000 new federal lawsuits had been filed in the previous decade, 10,000 in the past year. Many thousands more lawsuits are likely because the number of workers occupationally exposed to asbestos is estimated between 13 and 21 million. Report of the Judicial Conference Ad Hoc Committee on Asbestos Litigation 6-7 (1991).

²⁸² *Amchem*, 510 U.S. at 597-98, 631-32.

²⁸³ *Id.* at 598.

²⁸⁴ *Id.*

the class.²⁸⁵ However, the Court was not persuaded this practice comported with Rule 23. It noted that a proposal to relax the standard for certifying settlement classes had been met with “voluminous public comments—many of them opposed to, or skeptical, of the amendment,” and the proposal was not adopted.²⁸⁶ The Court concluded from this that federal courts “lack authority to substitute for Rule 23’s certification criteria a standard never adopted—that if a settlement is ‘fair,’ then certification is proper.”²⁸⁷ The Court went on to say that “[t]he benefits asbestos exposed persons might gain from the establishment of a grand-scale compensation schedule is a matter fit for legislative consideration, but it is not pertinent to the [Rule 23] inquiry.”²⁸⁸ The Court’s concern about the quasi-legislative nature of the proposed settlement caused it to scrutinize closely whether the settlement class was certifiable.²⁸⁹

The criteria for class certification are set forth in Rule 23(a): (1) the class is so numerous that joinder of all members is impracticable; (2) there are questions of law or fact common to the class; (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and (4) the representative parties will fairly and adequately protect the interests of the class.²⁹⁰ When, as in *Amchem* and *GBS*, money damages are to be aggregated for class members under Rule 23(b)(3), two additional requirements are that: (1) common questions must predominate over uncommon ones, and (2) the class action must be superior to other methods of adjudicating the controversy.²⁹¹

In *Amchem*, the numerosity requirement was seemingly met, but the Court agreed with the Third Circuit that the commonality, typicality, and representativeness requirements were doubtful.²⁹² Most importantly, however, common questions did not predominate.²⁹³

The Court noted that the settlement class would affect hundreds of thousands of people, perhaps millions, characterizing the class as “sprawling” and “amorphous.”²⁹⁴ Differences abounded: class members had experienced different levels of exposure for different periods of time; they also suffered from different diseases; applicable state laws

²⁸⁵ *Id.* at 618-19 (citing cases).

²⁸⁶ *Id.* at 619. The proposal would have allowed class certification for settlement purposes “even though the requirements of Rule 23(b)(3) might not be met for purposes of trial.” *Id.* The Court went on to say: “The text of a rule thus proposed and reviewed limits judicial inventiveness. Courts are not free to amend a rule outside the process Congress ordered, a process properly tuned to the instruction that rules of procedure ‘shall not abridge...any substantive right.’” *Id.*, quoting the Rules Enabling Act, 28 U.S.C. 2072(b).

²⁸⁷ *Id.* at 622.

²⁸⁸ *Id.* at 622-23.

²⁸⁹ *Id.* at 620 (calling for “undiluted, heightened attention in the settlement context” because “the court will lack the opportunity, present when a case is litigated, to adjust the class, informed by the proceedings as they unfold”).

²⁹⁰ Federal Rules of Civil Procedure, Rule 23(a).

²⁹¹ *Id.*, Rule 23(b)(3).

²⁹² The Court also noted, but did not decide, the adequacy of representation issue. *Amchem*, 521 U.S. at 626, n.20.

²⁹³ *Id.* at 622-28.

²⁹⁴ *Id.* at 622.

varied as well. Class member interests were consequently “enormously diverse and problematic.”²⁹⁵

The most glaring divergence was between class members who already manifested debilitating conditions and those who had yet to become ill. The former would logically favor substantial payouts as soon as possible and the latter would naturally be concerned that ample funds would remain available for future claimants.²⁹⁶ The settlement identified nine class representatives, roughly half of whom were not yet ill. Yet, there was “no reassurance here—either in the terms of the settlement or in the structure of the negotiations—that the named plaintiffs operated under a proper understanding of their representational responsibilities.”²⁹⁷ The Court concluded that there was insufficient unity of interests within the settlement class for certification to be proper under Rule 23.²⁹⁸

The Court in *Amchem* did not rule on the adequacy of notice to the class, but seemed doubtful that “class action notice sufficient under the Constitution and Rule 23 could ever be given to legions so unselfconscious and amorphous.”²⁹⁹ The chief problem was that many people would be unaware they were members of the class until years after the settlement was approved because some asbestos-related illnesses manifest only after long latency periods. These class members “may not have the information or foresight needed to decide intelligently whether to stay in [the class] or opt out.”³⁰⁰ It thus seemed unlikely any notice program would suffice.

The parallels between the *Amchem* and GBS settlements are far from exact, but are nonetheless significant. Under the original settlement, the GBS class consisted of all persons who owned a U.S. copyright interest in one or more books.³⁰¹ Because of U.S. treaty obligations, that class would have encompassed virtually all such copyright owners in the world.³⁰² Although the amended settlement class is more narrowly defined, it may well include of tens of millions of rights holders.³⁰³ The GBS class is thus quite likely to

²⁹⁵ *Id.* at 622, n. 17.

²⁹⁶ *Id.* at 626-27.

²⁹⁷ *Id.* at 627.

²⁹⁸ *Id.* at 621. The Court observed that the standards set forth in Rule 23 “for the protection of absent class members serve to inhibit appraisals of the chancellor’s foot kind—class certifications dependent upon the Court’s gestalt judgment or overarching impression of the settlement’s fairness.” *Id.*

²⁹⁹ *Id.* at 628.

³⁰⁰ *Id.* at 628.

³⁰¹ SA, *supra* note 1, §§ 1.14 & 1.120, Attach. H, ¶ 7.

³⁰² *See, e.g.*, RICKETSON & GINSBURG, *supra* note xx, § 6.89.

³⁰³ A recent Google estimate of the number of books in the world exceeds 129 million volumes, and Google seems to want to digitize all of them, *see* Blogpost of Leonid Taycher, inside-google-book-search@googlegroups.com, although at the fairness hearing, Google’s lawyer estimated that there were 174 million unique books in the world. Transcript, *supra* note xx, at 154. Some of these books are, of course, in the public domain. Google has estimated that 15-20% of the books it has scanned so far from libraries are in the public domain; if that percentage holds for the 129 or 174 million unique books, that would mean that well over 100 million books are in-copyright. Some substantial proportion of these books are outside of the settlement for one reason or another (e.g., the rights holders opted out of the class, U.S. books having having been registered with the Copyright Office, books published in foreign countries). If half of the in-copyright books are within the settlement, that would mean that somewhere between 50 and 70 million

be far larger than the proposed settlement class in *Amchem*. That there is considerable diversity and potentially serious conflicts of interests among the GBS settlement class members is evident from the several hundred objections lodged against the settlement.³⁰⁴

Among these divergent interests are those of academic authors—who vastly outnumber the Authors Guild’s membership—and those of Guild members in respect of their out-of-print books.³⁰⁵ Academic authors, unlike Guild members, are likely to want their out-of-print books to be available on an open access basis, rather than to want to set profit-maximizing prices for them and would favor modest pricing for the ISD.³⁰⁶ Academic authors are also more likely than Guild members to think that scanning books for the purpose of indexing the contents of the books and making snippets available is a fair use, making it unlikely they would have sued Google over GBS.³⁰⁷ Since many, perhaps even most, of the books in major research library collections Google has been scanning were written by scholars for scholarly audiences, the interests of academic authors should have been, but were not, given deference in the settlement negotiations.

A second divergence pertains to contractual matters. Each author and publisher whose in-copyright books are within the GBS settlement has a particular contract that allocates copyright interests. Each contract is governed by state laws, and state contract interpretation rules are not uniformly the same.³⁰⁸ Publishing contracts contain varying terms and, as noted earlier, they are often ambiguous about the allocation of e-book rights.³⁰⁹ Attachment A of the GBS settlement is tantamount to a class action settlement of the e-book rights dispute between authors and publishers, even though had the Guild brought a class action lawsuit on behalf of a class of authors against a class of publishers, it is doubtful that either the author or publisher class could have been certified under Rule 23 owing to vagaries in contract language and state law.³¹⁰

books are affected. Of course, some copyright owners have rights in more than one book, but this may be counterbalanced by the fact that many books are authored by more than one person. Moreover, Att. A recognizes that both authors and publishers have a compensable interest in out-of-print books. In view of this, it does not seem unreasonable to guess that the settlement class could be in the tens of millions. Another factor that swells the size of the settlement class is the large number of heirs who own rights in book copyrights or will own them in the future. Many of these people do not currently know they are or will become in the future members of the settlement class. Thus, the future claimant problem that bedeviled *Amchem* is present in the *Authors Guild* case as well.

³⁰⁴ Many of these objections were filed on behalf of multiple rights holders. See, e.g., Objection to Class Action Settlement on Behalf of Class Members Harold Bloom, et al., *Authors Guild v. Google, Inc.*, Case No. 05 CV 8136 (DC) (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/objections/bloom.pdf>; Harrassowitz Objection, *supra* note xx.

³⁰⁵ The Guild has about 8500 members, which is far fewer than the number of full-time academics whose responsibilities typically include writing books and inserts. See BUREAU OF LABOR STATISTICS, U.S. DEPT. OF LABOR, OCCUPATIONAL OUTLOOK HANDBOOK (2010-11 ed. 2009), <http://www.bls.gov/oco/ocos066.htm> (estimating post-secondary teaching positions in 2008 at 1.7 million).

³⁰⁶ Academic Author Objection, *supra* note xx, at 3-5. Academic authors would generally want to be free to annotate books and share annotations with colleagues; the Guild supported restrictions on both activities in the GBS settlement. *Id.* at 6.

³⁰⁷ *Id.* at 2-3.

³⁰⁸ See, e.g., *Rosetta Books*, 283 F.3d at 491-92.

³⁰⁹ See *supra* notes xx and accompanying text.

³¹⁰ Supplemental Academic Author Objection, *supra* note xx, at xx, n.15.

A third notable divergence within the GBS settlement class pertains to the interests of rights holders who are easily findable and those who own rights in orphan books. Under the original settlement, the funds Google provided to BRR from its commercialization of books whose rights holders had not registered with BRR within five years were to be paid out to BRR-registered rights holders.³¹¹ DOJ perceived a conflict of interest between registered and unregistered rights holders because the former were unlikely to have incentives to search hard for the latter if the funds owed to the unregistered rights holders would be paid out to the registered ones as long as the unregistered owners failed to show up.³¹² Although the amended settlement now calls for the appointment of an “unclaimed works fiduciary” (UWF),³¹³ there are reasons to question whether this will be an effective device to provide adequate protection to the interests of unclaimed book rights holders.³¹⁴ Almost by definition, it is impossible to give adequate notice to orphan book rights holders or to discern how well or poorly their interests align with those of other members of the class.

A fourth significant divergence pertains to owners of copyrights in books and owners of rights in so-called “inserts” (such as chapters in an edited volume or multiple-authored short stories in an edited collection).³¹⁵ Book owners will receive a substantial share in whatever revenues GBS generates from Google’s commercializations of the books, but revenues to insert authors are capped at \$500 total, even though these works may be individually licensed today for more than this.³¹⁶ Some authors of inserts have complained that their interests were not adequately represented in the settlement

³¹¹ SA, *supra* note 1, § 6.3, Att. C, §§ 1.1(e), 2.3.

³¹² DOJ SOI, *supra* note xx, at 9.

³¹³ The GBS settlement contains no meaningful guarantees of independence for the so-called “unclaimed work fiduciary” (UWF) and insufficient criteria for how he/she should perform a fiduciary role in respect of the unclaimed books. The UWF is, for example, to be chosen by a supermajority of the BRR Board. ASA, *supra* note 1, § 6.2(b)(iii). It will apparently be housed in the BRR offices. The BRR, not the fiduciary, will hold onto the unclaimed funds; after five years, BRR is authorized to use a significant portion of the unclaimed work funds to search for rights holders, although this is subject to the UWF’s approval. *Id.*, § 6.3(a)(i).

³¹⁴ The settlement grants the UWF a set of powers that are in some respects too limited and in at least one respect too broad. The UWF can, for instance, choose to change the default setting for an unclaimed in-print book from “no display” to “display,” but not the reverse. The UWF would have structural incentives to exercise the power to switch the default for unclaimed in-print books from “no display” to “display uses” in order to generate revenues that could be used to search for their rights holders to encourage them to claim the books. *Id.*, § 4.2(c)(i). The UWF has the power to approve changes in pricing bins for unclaimed books available through the consumer purchase model. *Id.*, §§ 6.2(b)(iii), 3.2(e)(i). However, the UWF seemingly no power to set prices for individual unclaimed books nor to provide input about price-setting of institutional subscriptions. This seems strange because all or virtually all of the unclaimed books will be in the ISD and revenues derived from the ISD are likely to be substantial. The UWF also has the power to disapprove of Google’s plan to discount prices of unclaimed books, but apparently not to recommend discounts. *Id.*, § 4.5(b)(ii). There may be little incentive for the UWF to agree to discounts as it would reduce the revenues over which he will have some control; BRR may also not want unclaimed works to be discounted, as these books will compete with those of registered rights holders.

³¹⁵ *Id.* at § 1.75 (defining inserts).

³¹⁶ Guthrie Objection, *supra* note xx, at 4-5 (citing to ASA, Att. C, § 1.2 (a), (b), (h)).

negotiations, and at the very least, a subclass should have been created to represent insert rights holders.³¹⁷

It is, moreover, unclear whether the publishers who negotiated the settlement were adequately representing the interests of others who will be bound by the settlement. All of the publisher plaintiffs are members of the Google Partner Program (GPP),³¹⁸ under which they are able to negotiate terms for their books that may be more favorable than the default terms being offered to members of the settlement class. At the very least, the GPP terms will be more favorable than the ASA terms in that GPP partners will not have to pay administrative fees to BRR for handling revenue streams from Google. There is reason to believe that the publishers who negotiated the settlement do not intend to subject their books to the settlement terms.³¹⁹ If the publishers negotiated a deal that they expect to bind millions of other rights holders, but not themselves, there is reason to worry that their interests and the other class member interests are not well-aligned.³²⁰

The GBS settlement will, moreover, have important spillover effects on third parties who did not participate in the settlement negotiations.³²¹ For example, members of the public will, if the settlement is approved, have to pay fees for every page they print out from GBS books, even though photocopying the same pages from physical books would not infringe.³²² The settlement calls for close monitoring of book usages without meaningful limits on uses that Google can make of personal data about users' reading habits.³²³ Users of GBS books will, moreover, have only limited opportunities to

³¹⁷ *Id.*

³¹⁸ Toobin, *supra* note xx, at 30.

³¹⁹ The DOJ's first Statement of Interest regarded as "noteworthy [the fact] that the parties have indicated their belief that the largest publisher plaintiffs are likely to choose to negotiate their own separate agreements with Google." DOJ SOI I, *supra* note xx, at 10. This provided "serious reasons to doubt that the class representatives who are fully protected from future uncertainties created by the settlement agreement and who will benefit in the future from the works of others can adequately represent the interests of those who are not fully protected and whose rights may be compromised as a result." *Id.*

³²⁰ This conflict resembles that in *Ortiz v. Fibreboard Corp.*, 527 U.S. 815 (1999), in which the Court rejected a proposed settlement agreement in part because some of the lawyers who negotiated the settlement at issue had also negotiated separate agreements to settle other asbestos cases, full payment on which was predicated on reaching the global settlement before the Court. The Court recognized that this gave them an incentive to settle for less than the optimal amount for the class. It is also well-recognized that class counsel may be tempted to maximize returns to themselves in class action settlements instead of negotiating optimal terms for class members. *See, e.g.*, *In re General Motors Corp.*, 55 F.3d 768, 801-02 (3d Cir. 1995) (discussing incentives of class counsel). It is worth noting that class counsel in the *Authors Guild* case will be paid \$45.5 million if the GBS deal is approved; this is half a million dollars more than the total funds to be paid all copyright owners whose books or inserts covered by the settlement.

³²¹ Some of the objections to the GBS settlement were filed on behalf of members of the public who would be affected by the settlement. *See, e.g.*, Brief Amicus Curiae of Consumer Watchdog in Opposition to the Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/letters/cw.pdf>; Brief of Amicus Curiae Public Knowledge in Opposition to the Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 8, 2009), available at <http://thepublicindex.org/docs/letters/pk.pdf>.

³²² *See supra* notes xx and accompanying text.

³²³ *See, e.g.*, Electronic Privacy Information Center, Google Book Settlement and Privacy, available at <http://epic.org/privacy/googlebooks/default.html> (chart of GBS settlement provisions affecting privacy); Privacy Authors and Publishers' Objections to Proposed Settlement, *Authors Guild Inc. v. Google Inc.*, No.

annotate books they purchase from Google or access through the ISD, and even more limited opportunities to share their annotations with others.³²⁴ Approval of the settlement will also mean that users will pay higher prices for orphan books than if Congress enacted the open-access approach to these books that the Copyright Office recommended.

Other third-party effects of the GBS settlement will be felt by Amazon.com, Barnes & Noble, and other e-book sellers who will be unable to get an equivalent license to make available the same array of out-of-print books as Google.³²⁵ The search engines of Microsoft and Yahoo! will also not have access to the GBS corpus to engage in non-display uses of millions of books through which to refine their search algorithms and compete effectively with Google.³²⁶

Another type of third-party effect of the GBS settlement concerns class members who opted out. In a typical class action settlement under Rule 23(b)(3), class members who opt out are in the same position they were in before the settlement. It is, however, far from clear that authors and other rights holders who opted out of the GBS settlement will be in the same position vis a vis Google as they would have been before the settlement happened. They are unlikely to sue Google to stop scanning of their in-copyright books because this would not be cost-effective, but the market for e-books will be substantially affected by approval of the settlement, and not necessarily in a positive way for those who opted out. It is possible, for instance, that Google could retaliate against them for opting out by making it difficult for potential readers to find their books.³²⁷ Because Google maintains its search algorithms as closely held trade secrets, it may be difficult for disadvantaged authors to be able to show any discrimination.

The GBS settlement seems like legislation for at least three reasons: first, because of the numerous divergent interests among types of class members, second, because of third party effects that would flow from approval of the settlement, and third, because the agreement would establish a new set of default rules for copyright owners in books and establish a complex forward-looking commercial enterprise and a new collecting society, which go far beyond the particular issue in litigation in the *Authors Guild* case. In this respect, the GBS settlement is an even more “adventurous” use of the class action device than *Amchem*.³²⁸ At least in *Amchem*, the goal of the tribunal that the settlement would have created was to provide remedies for past wrongful acts, even if the harms were not yet manifest. That settlement did not to give the defendants a license to engage in future acts which, but for the settlement, would be wrongful, as the GBS settlement

1:05-CV-8136 (S.D.N.Y. Sept. 4, 2009), available at http://thepublicindex.org/docs/letters/privacy_authors.pdf (objecting to the settlement because of inadequate privacy protections).

³²⁴ ASA, *supra* note 1, at § 3.1(c)(ii)(5).

³²⁵ See Objection of Amazon.com, Inc. to Proposed Settlement, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 1, 2009), available at <http://thepublicindex.org/docs/letters/amazon.pdf>.

³²⁶ See, e.g., OBA Supplemental Objection, *supra* note xx.

³²⁷ See, e.g., Objections of Writers Representatives’ LLC and Richard A. Epstein to Amended Settlement at 18, *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Jan. 28, 2010), available at http://thepublicindex.org/docs/amended_settlement/Writers_Representatives_Objection.pdf.

³²⁸ *Amchem*, 521 U.S. at 617-18.

would do. The whole point of the GBS settlement is to authorize Google to commercialize and make other uses of class members' books in ways that were not at issue in the *Authors Guild* case. Approval of the settlement will give Google a positive benefit that would vastly exceed the relief to which it would have been entitled had it won its fair use defense.³²⁹

As the U.S. Department of Justice (DOJ) put the point, the GBS settlement is “a bridge too far,” for it is an attempt to use the class action settlement process to “restructur[e] legal regimes in the absence of Congressional action.”³³⁰ To DOJ, it did not matter whether this restructuring was sensible or not; the class action settlement mechanism simply could not be used to achieve a legislative-type outcome of this scope.³³¹ “If there is going to be a fundamental shift in the exclusive right of the copyright holder to require advance permission, if we’re going to establish a compulsory license,” DOJ argued at the fairness hearing, “that should be done by Congress, particularly in this instance when it not necessary to settle the underlying dispute.”³³²

Controlling Second Circuit precedents have handled problems associated with class action settlements that go beyond the claims and relief sought in the complaint through its “identical factual predicate” doctrine. In *Wal-Mart Stores, Inc. v. Visa USA, Inc.*, for example, the Second Circuit upheld a class action settlement that aimed to release claims against the defendant credit card companies beyond those raised in the complaint, saying that such releases were acceptable as long as the claims arose out of the identical factual predicate set forth in the complaint.³³³ Under this test, it would be difficult for the GBS settlement to be approved because the settlement deals with so many matters beyond the issues in litigation in the *Authors Guild* case.³³⁴

Google, AAP, and the Guild have argued that the GBS settlement should be assessed instead under the Supreme Court’s ruling in *Local No. 93, Int’l Ass’n of Firefighters v. City of Cleveland*, which reviewed a consent decree under which Cleveland agreed to undertake a broader program of relief for past discrimination than originally sought in the complaint.³³⁵ Google argued that the GBS settlement satisfies the three criteria set forth in *Firefighters* for settlements that provide for relief beyond that sought in the complaint.

³²⁹ Transcript, *supra* note xx, at 119-120.

³³⁰ DOJ SOI II, *supra* note xx, at 3. DOJ recognized some worthy objectives of the settlement (e.g., making books more widely accessible to the public, including to print-disabled persons). *Id.* at 1.

³³¹ *Id.* at 3-5.

³³² Transcript, *supra* note xx, at 125.

³³³ 396 F.3d 96, 108 (2d Cir. 2005). *See also* *Nat’l Super Spuds, Inc. v. N.Y. Mercantile Exchange*, 660 F.2d 9 (2d Cir. 1981)(disapproving class action settlement that aimed to release claims as to both liquidated and unliquidated futures contracts even though the complaint had only alleged violations as to liquidated contracts); *Uni Super Ltd. v. News Corp.*, 898 A.2d 344 (Ct. Ch. 2006) (upholding objection to release of claims beyond the operative set of facts that have happened in the past).

³³⁴ DOJ SOI II, *supra* note xx, at 6, 11 (concluding that the identical factual predicate test is applied to the GBS settlement).

³³⁵ 478 U.S. 501 (1986). *See, e.g.*, Brief of Google Inc. in Support of Motion for Final Approval of Amended Settlement Agreement at 15-20, , *Authors Guild Inc. v. Google Inc.*, No. 1:05-CV-8136 (S.D.N.Y. Sept. 1, 2009), available at http://thepublicindex.org/docs/amended_settlement/google_final_approval_support.pdf.

Those criteria are: (1) that the settlement must spring from and resolve a dispute within the court's subject matter jurisdiction; (2) that the settlement must come within the general scope of the case made out by the pleadings; and (3) that the settlement furthers the objectives of the law underlying the dispute.³³⁶

Google has argued that the settlement unquestionably springs from the dispute over its digitization books and storage of those books on its servers, which is well within the subject matter jurisdiction of the court.³³⁷ While the main focus of the Authors Guild complaints was on scanning-for-snippets, Google believes the second criterion is met because the Guild and publisher complaints were broadly enough drawn so that they covered Google's delivery of LDCs to library partners and sought relief for unrestrained copying of in-copyright books which would effectuate new and further infringements.³³⁸ The settlement would, in Google's view, further the objectives of copyright law because it would make books much more widely available, which would promote the progress of science" in line with constitutional objectives; it would, moreover, provide compensation to authors and give them control over Google's uses of their books.³³⁹

DOJ took a more restrictive interpretation of the first two *Firefighters* criteria. The forward-looking commercial elements of the settlement were, in its view, not within the dispute over which the court had subject matter jurisdiction.³⁴⁰ Neither the Guild's nor the publishers' complaints charged Google with infringement for scanning books to sell copies of them or to make an ISD for licensing to libraries, both of which were at the core of the settlement Google was seeking to have approved.³⁴¹ The commercial activities that would be authorized by the settlement were thus "non-remedial" in character,³⁴² which DOJ regarded as a factor in judging the consistency of the settlement with the objectives of copyright law, saying: "The ASA seeks to carve out an exception from the [Copyright] Act's normal rules and presumptions, which require a rights holder to affirmatively grant permission for the kinds of uses contemplated by the ASA."³⁴³ Such an exception might well be justifiable, but its adoption was "a judgment better suited for legislative consideration rather than for courts to make in the context of approving a settlement under Rule 23."³⁴⁴

³³⁶ *Firefighters*, 478 U.S. at 525.

³³⁷ Google Approval Brief, *supra* note xx, at 15-16. It denied that live litigation was necessary for each provision of the settlement agreement, intimating that the *Firefighters* decree could not have been approved under the DOJ's more restrictive interpretation of this first criterion. *Id.*

³³⁸ *Id.* at 17-18.

³³⁹ *Id.* at 18-20.

³⁴⁰ DOJ SOI II, *supra* note xx, at 6-7. There is no actual case or controversy between Google, on the one hand, and the Guild and AAP, on the other, about whether it is fair use for Google to scan books to sell them to the public or to develop a subscription service to millions of books as long as it provides 63 percent of the revenues to rights holders. Google has not undertaken these activities, and so the Guild and AAP could not have sued to challenge these uses. *Id.* The settling parties have leveraged a real dispute over scanning-for-snippets to achieve a global resolution about many contentious copyright issues that are beyond the issues supposedly being litigated.

³⁴¹ *Id.* at 7-8.

³⁴² *Id.* at 9.

³⁴³ *Id.* at 9.

³⁴⁴ *Id.* at 10.

The fundamental question, then, is whether the legislative nature of the GBS settlement is merely an interesting side effect of the deal or a reason to approve or disapprove it? *Amchem* and other precedents suggest that the legislative or quasi-legislative nature of a class action settlement should not be regarded merely an interesting side effect of the deal, nor a factor cutting in favor of the settlement. However, the legislative nature of a class action settlement does not necessarily mean that that it should be disapproved.

Consider a possible settlement of a class action in a case such as *American Geophysical Union v. Texaco*,³⁴⁵ which concerned the legality of photocopying of articles from scientific and technical journals by employees of Texaco and other firms. If Texaco and a class of similarly situated defendants agreed to settle a publisher class action lawsuit by agreeing to pay the Copyright Clearance Center for this photocopying, it might have for the affected class of defendants the same result as if Congress enacted legislation to require such payments. However, as long as the requirements of Rule 23 were satisfied, such a settlement could be approved consistent with principles of due process because it is properly tailored to the matter in litigation in this case.

This Article proposes that courts should engage in heightened Rule 23 scrutiny in cases involving class action settlements that will, if approved, be tantamount to legislation. Among the factors that should be considered are: 1) the relative size of the settlement class; 2) the likelihood of diverse interests within the class, 3) the breadth of the settlement compared to the issues in litigation and the relief that was sought in the complaint, 4) how extensive (or not) the impacts of the settlement will be on the future course of activities in that field; and 5) the extent to which the settlement will cause spillover effects on third parties who were unable to participate in the settlement negotiations; and 6) whether approval of a class action settlement will confer an unfair advantage on the settling defendant.

Under this multi-factored heightened scrutiny standard, the GBS deal would not fare well: 1) the class is very large, perhaps including tens of millions of people;³⁴⁶ 2) many objections to the deal demonstrate several types of diverse interests and legal perspectives that undermine the notion that the GBS settlement class could be certified; 3) the settlement goes very far beyond the matter in litigation; 4) the settlement would affect the market for books for the foreseeable future; 5) spillover effects of the GBS settlement for third parties are evident, and 6) “the legal and structural changes the parties seek to accomplish would confer on [Google] a level of market dominance that other competitors

³⁴⁵ 60 F.3d 913 (2d Cir. 1994).

³⁴⁶ There is, moreover, scant evidence that the parties to the settlement ever seriously intended to litigate the scanning-for-snippets claims. As in the *GM* case, settlement talks began soon after the litigations commenced; the parties conducted very little discovery; there was never an attempt to certify the class, even though Rule 23 requires that this be done “as soon as practicable”; objections of some parties revealed likely intra-class conflicts; the merits of the underlying claim and valuation of the claims were undeveloped; there was a substantial mismatch between the relief sought in the complaint and the settlement terms; and large fees for class counsel raise questions about whether they were intent on maximizing the benefits of the settlement for the class or for themselves. *In re General Motors Corp.* 55 F.3d 768 (3d Cir. 1995)(rejecting proposed class action settlement).

without access to the ASA's special rules and procedures will be hard pressed to challenge for the foreseeable future."³⁴⁷

Like the settlement in *Amchem*, the GBS settlement is being touted as a fair compromise that should be approved because of the benefits it would bring about. However, *Amchem* teaches that a light review of the certifiability of a settlement class is not justifiable merely because of possible benefits of a class action settlement, especially if a settlement will modify substantive rights of class members. As the Court observed in *Amchem*, "Rule 23...must be interpreted with fidelity to the Rules Enabling Act and applied with the interests of absent class members in close view."³⁴⁸ *Amchem* instructs courts to engage in a searching inquiry under Rule 23 to ensure the settlement class is certifiable before approving the deal. This article suggests this is especially appropriate when the settlement is aimed at achieving a quasi-legislative outcome.

Consider how the GBS settlement differs from legislation that might plausibly address many of the same issues as the settlement does. It is inconceivable that Congress would pass orphan works legislation so that only Google would have a license to commercialize these books. Nor would legislation addressing the author-publisher e-book ownership dispute provide a resolution of this controversy that only benefited Google. If Congress established an arbitration regime to settle disputes over whether books are in copyright or in the public domain, are in-print or out-, are owned for e-book purposes by A or B, and/or relieved digitizers from the risk of statutory damage awards, Congress would not choose Google to be the only company able to take advantage of these limits. Moreover, if Congress found persuasive the argument that non-display uses of in-copyright books should be permitted, its grant of this privilege would apply to more firms than Google. Congress would also be unlikely to ignore the concerns of privacy advocates who worry about the extensive monitoring of book usages by digital libraries such as GBS. Antitrust officials would likely have input to legislative decisions about how a commercial service such as GBS should engage in price-setting and the like.

Because the most significant copyright reform that the GBS settlement would bring about concerns orphan works, it is worth contrasting differences between the GBS settlement and orphan works legislation that Congress has considered up in recent years.³⁴⁹ This legislation has been modeled on the recommendations of the U.S. Copyright Office, which concluded that orphan works should be freely usable if rights holders cannot be found after a reasonably diligent search.³⁵⁰ The Office considered, but rejected an escrow model, such as that embodied in the GBS settlement.

³⁴⁷ DOJ SOI II, *supra* note xx, at 3.

³⁴⁸ *Amchem*, 521 U.S. at 629.

³⁴⁹ *See, e.g.*, Shawn Bently Orphan Works Act of 2008, *supra* note xx.

³⁵⁰ *See* Orphan Works Report, *supra* note xx, at 11. The Office recommended that if a rights holder later came forward to claim the work, the person who reasonably believed the work was an orphan might continue the use for future compensation. *Id.* at 115.

Approval of the settlement may intrude on Congressional prerogatives in respect of orphan works legislation in a post-settlement world.³⁵¹ The GBS settlement gives the UWF authority to license copyright interests in unclaimed books to third parties “to the extent permitted by law.”³⁵² However, existing law does not allow *any* licensing of in-copyright books to third parties without the rights holders’ permission. The only way that the UWF could get the legal authority to issue such licenses would be from Congress, presumably through the passage of orphan works legislation.

By establishing a private escrow regime for collecting and distributing revenues Google may earn from its commercialization of orphan books, the GBS settlement seems to be setting up the UWF as an intermediary for the licensing of orphan books to third parties. The settlement provides that after 10 years of collecting profit-maximizing revenues for orphan books, the UWF would become a philanthropist,³⁵³ distributing these funds to charities in various countries that promote literacy, freedom of expression, and education. It also authorizes the UWF to continue to collect funds for orphan books for the remainder of their copyright terms, and to continue paying orphan funds to these charities.

Much as one may admire the eleemosynary impulse underlying these provisions, it is far from clear that the GBS settlement takes the right approach to making orphan books available. The UWF would have a financial stake in the continuation and extension of the escrow regime and in persuading Congress that escrowing under the UWF’s aegis was the best solution to the problem posed by unclaimed works.

But if books are true orphans, they should be freely available for use by all, as the Copyright Office has recommended. Treating unclaimed orphan books as open access works would be more consistent with the utilitarian purpose of U.S. copyright law, insofar as these works lack an author or publisher who arguably needs exclusive rights to recoup investments in creating and disseminating these works.³⁵⁴ An institutional subscription to orphan books should be priced to allow recoupment of the costs of providing this service, but not to maximize profits for those rights holders who cannot be found through the end of the copyright terms.

Finally, the multitude of objections to the GBS settlement raises serious doubts about whether the GBS settlement is as fair as its proponents claim. It is beyond the scope of

³⁵¹ Testimony of Marybeth Peters, *supra* note xx, at 3 (“the [GBS] settlement would inappropriately interfere with the ongoing efforts of Congress to enact legislation to enact orphan works legislation in a manner that takes account the concerns of all stakeholders as well as the United States’ international obligations”).

³⁵² ASA, *supra* note 1, § 6.2(b)(i).

³⁵³ *Id.*, § 6.3(a)(i)(3).

³⁵⁴ It is disheartening that GBS sometimes provides links to sites where books can be purchased, but not to sites where the same books are available for free. An example is JAMES GOSLING & BILL JOY, THE JAVA LANGUAGE SPECIFICATION, a free copy of which is available at <http://java.sun.com/docs/books/jls/>. GBS points only to sites where copies of this book can be purchased for prices ranging from \$1.99 to \$999.99, see http://books.google.com/books?id=Ww1B9O_yVGsC&sitesec=buy&source=gb_s_navlinks_s. This book is widely used by Java programmers.

the current article to assess the merits of those objections,³⁵⁵ but in combination with the questions raised above about the certifiability of the GBS settlement class under *Amchem* and some key respects in which the GBS settlement diverges from plausible legislation to enable GBS-like uses, the many voices raising objections reinforce doubts about whether the settlement should be approved.

Conclusion

The DOJ observed that it would be relatively straightforward for the court to approve a settlement that allowed copyright owners to be eligible for payment of \$60 per book and \$15 per insert to release Google from liability for past scanning of books to provide snippets and perhaps to engage in nondisplay uses of the books.³⁵⁶ The most troublesome parts of the GBS settlement is that it would bind millions of copyright owners world-wide to an exceptionally complex commercial arrangement for many decades, whose payouts to rights holders would be governed by a yet-to-be-formed collecting society likely to be dominated by the key litigants in the case. Given its forward-looking character and the numerous respects in which it will significantly modify substantive rights of class members and achieve results that are tantamount to legislation, the amended GBS settlement should not be approved.

Nonapproval of the GBS settlement will not have as dire a set of consequences as some commentators seem to believe. For one thing, Google is continuing to scan books for GBS, to serve up snippets in response to user queries, to provide links to libraries or bookstores from which the books can be lawfully acquired, to provide libraries with LDCs which they can use for lawful purposes, and to work with authors and publishers on making as many books available through GBS as it can. Google can be expected to make efforts to determine whether books are orphans; it may even be willing to make more of the contents of these books available to the public on the theory that fair use should be broader for orphan books than non-orphans.

Nonapproval of the settlement may well renew interest in orphan works legislation and in the free-access model for true orphans that the Copyright Office has recommended rather than the escrow model embedded in the GBS settlement. University research communities may be able to self-organize to encourage colleagues to make their out-of-print books available on an open access basis, so that a corpus of scholarly books might be curated for licensing at modest prices and on academically reasonable terms.

For the sake of future generations, it is important to seize the opportunity that the digital networked environment provides to construct a vast library that will last forever without the restrictions and risks of monopolistic conduct that the GBS settlement would impose.

³⁵⁵ I believe many objections to the GBS settlement have merit. See Samuelson, *supra* note xx, Part II.

³⁵⁶ DOJ SOI II, *supra* note xx.